

FINANCIAL



Japanese business

Why global ambitions were frustrated



Turkish gold

Investors face fear and xenophobia

THURSDAY MARCH 6 1997

The Reichmanns

Remarkable talents and frailties

Book review, Page 12



Industry on ethical alert

Separate section

World Business Newspaper http://www.FT.com

Britain accused over abattoir hygiene report

suppressing a report revealing lapses of hygiene in abattoirs, with rules designed to counter the spread of mad cow disease being flouted. The report found that rules designed to counter the spread of BSE - or mad cow disease - to humans were being flouted and warned of "major contamination" of carcases by animal faeces. The report was due to be made public in March last year. Page 14

Half S. Korsan cabinet replaced: South Korsan president Kim Young-sam has replaced nearly balf his cabinet as part of a shake-up in the wake of the Hanbo loan scandal. Page 6

Clinton pressed over Nafta: The US Congress is urging President Bill Clinton to renegotiate or withdraw from the North American Free Trade Agreement unless there are improvements in the US trade balance, with one politician describing it as "one giant broken promise" for most Americans. Page 4

Vital new role likely for Chubals



.OM6

Russian president Boris Yeltsin is to reaffirm his commitment to fur ther economic reform. amid hints from the Kremlin that chief of staff Anatoly Chubais (left) - seen by international financial institutions as Russia's most effective administrator - would be given a

prominent role to streamline the state apparatus and tackle mounting social problems. Page 3

Chrysler has unveiled a campaign to lift sluggish sales of its Neon model in Japan, in a move that highlights the continuing problems there for US carmakers. Page 4; GM plans expension in former Soviet Union, Page 14

The Palestinian leadership is to reassess Israel's commitment to the peace process follow-ing Israeli prime minister Benjamin Netanvahu's decision to build a Jewish settlement in east Jerusalem. Page 4

Credit Suisse, the largest Swiss bank, announced a heavier than expected net loss for group's 140 year history. Page 15

S Africa may use mines as jalls: Crime in South Africa has become so bad that officials are thinking of shutting the worst offenders in disused mine shafts. Page 4

Nuclear convoy beats protests: A convoy carrying nuclear waste through Germany finally reached its destination after the country's biggest post-war police operation involving more than 30,000 officers. Page 3

Thai bank officials sacked: Thailand's government has sacked three senior bank officials over delays that led to charges being dropped over irrecoverable loans said to be worth up to \$2hn made through Bangkok Bank of Commerce. Page 14

New EU refugee rules planned: People fleeing en masse from the world's trouble-spots can expect the same treatment in all 15 European Union member states if plans by the European Commission become law. Page 8

Pakistan debt concern: Pakistan is facing debt service payments of over \$2hn by June with reserves totalling only \$1bn - enough to finance less than five weeks of imports.

Corruption under former Philippines' dictator Ferdinand Marcos, swept from power 11 years ago, still overshadows the boardrooms of some of the country's higgest companies. Page 6

Court hits at Société Générale: A Paris court condemned Société Générale, one of France's largest banks, for acting unfairly in a bid to win business from its rival Credit Lyon-

Bandai, Japan's largest toymaker, plans a five-fold rise in monthly production of its latest game, a pocket-sized egg with a virtual chicken. Strong demand has meant toys trading on the black market at up to 25 times their recommended price. Page 15.

FT.com: the PT web site provides online news,

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Cigarette maker is 'willing to listen' to plaintiffs' proposals

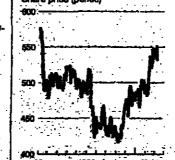
BAT seeks deal to end smoking lawsuits

Christopher Brown-Humes in London

BAT Industries, the biggest British-owned cigarette-maker, yesterday called for an industry-wide settlement of legal actions brought on behalf ers in the US against the tobacco industry.

executive, said BAT and the US tobacco industry was willing to listen to any "sensible proposals" from the plaintiffs' lawyers and state attorneysgeneral who are seeking comesation for smoking-related

BAT Industries Share price (pence)



diseases. The company yesterday revealed that its US subsidiary, Brown & Williamson Tobacco, spent \$100m last year defending legal claims, up from \$60m in 1995. The company has spent \$250m so far. "I can't see the cost going down," Mr Broughton said. BAT has made no provisions against

Mr Broughton's call for a deal, which overshadowed vesterday's year-end financial results, reversed BAT's previous insistence that it would never settle. BAT has a 16.6 per cent share of the cigarette market in the US, where claims by former smokers are estimated to total \$6bn to

\$10bn - figures BAT rejects as

Although shares in BAT have surged with those of other US tobacco groups, brokers said the market had been demanding a higher dividend ing risks of tobacco litigation. of smokers and former smok- BAT'S share price fell yester day by 18½p to 531p.

The ongoing cost in legal Mr Martin Broughton, chief terms and the impact on our share price is such that we think it is sensible and appropriate to consider settlement suggestions," Mr Broughton

> BAT believes both rival US manufacturers and President Bill Clinton are keen to see an end of the 42-year battle over liability for smoking-related ill-

"We understand from third parties that the White House would like a resolution but we haven't heard that from the White House.

Fighting court cases now costs the industry an estimated \$600m a year, a tenth of its annual profits. "I think the whole industry would be prepared to consider sensible proposals." Mr Broughton said. We would like to see a settlement of the situation in shareholders' interests."

BAT is determined that any US deal will omit any admission of liability, for fear of copy-cat cases in its vast markets in continental Europe and

The US tobacco industry has faced down more than 535 cases since 1954. Only 19 have come to court and the industry has yet to pay out a penny in damages. But a new wave of litigation is gathering this could antagonise the UK. year, with 19 cases set down

Lord Cairns, BAT's chairman, said the US tobacco industry "remains confident of of EU policies after Renault's

Lex, Page 21 | confidence in Europe".



would set up a SFr7bn (\$4.7bn) fund to help victims of the Holocaust. Switzerland will revalue its gold reserves and use much of the profits to pay for the fund. Report, Page 2

Renault sparks Brussels move on worker rights

By Neil Buckley in Brussels and David Owen in Paris

The European Commission is to press for tougher worker protection laws in the light of French carmaker Renault's controversial decision to close a profitable factory in Belgium with the loss of 3,100 jobs.

a rare personal intervention by public criticism by French warn workers at Vilvoorde vehicles. Belgian newspapers President Jacques Chirac and before the announcement. Prime Minister Alain Juppé of Renault's handling of the clo- absolutely clear there is a sure, which has provoked demonstrations in Belgium.

European Union commissioners last night instructed Mr Padraig Flynn, social affairs commissioner, to examine whether EU laws on worker consultation needed to be strengthened, and to produce recommendations on strengthening workers' rights. Mr Flynn is expected to hold a press conference today.

The Commission's action which opposes further EU legislation in social matters. But it reflects concern about a popular backlash over the effects decision, which Mr Jacques Continued on Page 14 Santer, Commission president, US charge curbs BAT, Page 21; has called a "grave blow to

Belgian job losses bring EU law review

The Commission last night issued an unprecedented opinion that Renault had failed to Protests grew yesterday with respect two EU directives on works councils and collective the Belgian king, and the first redundancies by failing to celled an order for 150 Renault |

> "From our point of view it is problem here," the Commission's spokesman said.

> opened a scheduled meeting with the commissioners by voicing "serious concern" over the closure. Mr Flynn told him the Commission could not take vidual or company. Such cases can only be brought in national courts.

But the Commission's opinion will be an encouragement to Belgium, which is planning action against Renault, and

could be cited in any national case. Renault could be fined BFr20m (\$567,000) under Belgian law if it were found to have breached the rules.

Mr Santer also come under pressure from Mr Jean-Luc Dehaene, Belgian prime minister - who lives in Vilvoorde to strengthen social laws.

Separately, a Belgian federal ministry confirmed it had canhave called for a consumer boycott against Renault. In Paris. Mr Chirac let it be

known he was "shocked" by the way the closure had been King Albert II of Belgium announced, and Mr Juppe opened a scheduled meeting summoned Mr Louis Schweitzer, Renault chairman, and another executive and demanded they begin consultations with interested parties. legal action against any indi- including the Belgian government, "without delay"

He underlined the "human dimension" that needed to be taken into account "beyond the industrial logic"

Editorial Comment, Page 13

UK plans radical scheme to privatise pensions

in London

The UK government yesterday proposed privatisation of state ensions for the next gen tion of employees in the big-gest change to Britain's modern welfare state since its foundation in 1945.

Under the proposals, which would require decades to take effect, the UK would become the first member of the Organisation for Economic Cooperation and Development to switch pension provision almost entirely to the private sector.

The government said it planned to pay rebates from pensions contributions to new entrants to the workforce. privately run funds to provide both the equivalent of the basic state pension and an

earnings-related top-up. For that generation, the scheme would replace both the flat rate basic state pension, funded from national insurance contributions, and an earnings-related top-up also financed on a pay-as-you-go

basis since the late 1970s. The top-up now chiefly covers the lower paid because two-thirds of employees have taken incentives introduced in the late 1980s to opt out of the earnings-related pension in

favour of private provision. Despite the scale of that change, the switch to private funding of even the basic state pension would mark a decisive break with the UK's pay-asyou-go approach to pensions, which still accounts for most

pension provision. The scheme, announced just weeks before a general election, comes with a guarantee that if low earnings or a fund's failure to perform lead to a final pension below what the basic state pension would have been, the pay-out would be topped up to that level. The opposition Labour party

Continued on Page 14 Unlikely to rock markets, Page 8; Plan avoids many of the risks, Page 13; Editorial Comment. Page 13: Lex. Page 14

GEC-Marconi plans joint projects with Finmeccanica

By Bernard Gray in London and Robert Graham in Rome

GEC-Marconi, the defence arm of the UK's General Electric Company, and Finmeccanica, the Italian engineering group, are to form a series of joint ventures that will accelerate the consolidation of the European defence industry. The two companies will

study how best to link their defence interests over the next three months, with a number of joint ventures in different areas the most likely outcome. Turnover of the combined businesses could reach £1bn (\$1.5bn), and is likely to cover areas such as avionics for the four-nation Eurofighter, naval

control equipment. The alliance draws the companies together as the Italian Thomson-CSF and the French government considers how government, but has also best to sell its majority stake

European defence electronics companies are not prepared to industry but are thought to wait for the French government to decide what to do with the Thomson-CSF defence electronics company before reaching alternative deals. Italy is thought to have

decided that its defence industry is not large enough to prosper without international alliances, given the pace of consolidation of US arms man-

owned by Iri, Italy's state holding company, accounts for 70 per cent of the Italian defence business. Its defence interests are grouped under Alenia Difesa, which had sales of L2,350bn (\$1.39bn) in 1996 in electronics, radar, missile seek- five divisions - radar, missiles, ers, torpedoes and air traffic naval systems, armaments and

> courted explored other options, includ-

have become frustrated at the slow pace of rationalisation in France, and the apparent intention of the government to exclude international nartners from the Thomson privatisa-

Over the next few months GEC-Marconi and Finmeccanica will pool details of their es, with the intention ventures, some, such as air traffic control, are likely to have a majority of assets provided by Finmeccanica, while others will be led by GEC.

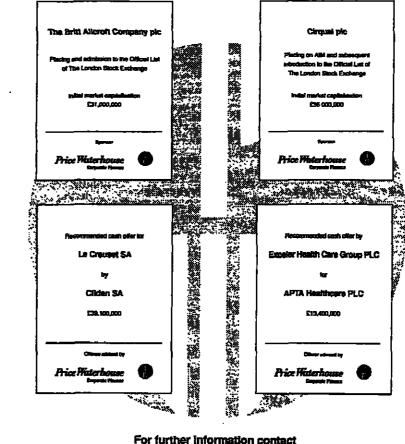
"The GEC-Finmeccanica agreement marks an important new phase in Italy's defence industry," Mr Fabiano Fabiani, chairman, said yesterday. He had first broached the

idea with former GEC head Lord Weinstock but talks began in earnest last Novem ber with Mr George Simpson new GEC chief executive.

Lex, Page 14; Thomson-CSF

in Finmeccanica, raising the ing alliances with Finmeccanprospect that GEC could take a ica, British Aerospace and US stake in the Italian company. aerospace companies. Both The move also indicates that Finmeccanica and GEC-Mar-CONTENTS Share Information __ 30.31 FT/SP-A Wid Indices......36 Foreign Exchanges25 lansi 18-20,24 Managed Funds 27-29

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Price Waterhouse Corporate Finance

choices over grain set-aside

By Caroline Southey

Soaring grain production is forcing the EU into a hard choice between a return of grain mountains or paying farmers to take one fifth of Europe's arable land out of

Mr Franz Fischler, European commissioner for agriculture, warned yesterday that EU grain production was growing at an alarming rate, with annual cereal vields up 25 per cent over the last two years. EU grain production for 1996-97 is expected to increase by 27m tonnes to 202m tonnes.

Mr Fischler said the EU's farm lobby faced a stark choice between a rise in the set-aside rate to curb production and boosting exports by scrapping export refunds which compensate farmers for the difference between EU and world grain prices. Under the General Agreement on Tariffs and Trade, which preceded the World Trade Organisation, the EU is allowed to export only about 30m tonnes a year of subsidised grain a year.

Mr Fischler's aides have suggested the set-aside rate might have to rise to 22 per cent within the next four years if surpluses are to be

"My objective is to ensure new grain mountains are not formed," Mr Fischler said. "We need fresh decisions on the size of set-aside rates for the next marketing year."

The EU was shamed into reforming the Common Agriculture Policy (CAP) five years ago because subsidies had led to gross distortions in the market, including the subsidised production of vast surplus food stocks. The 1992 reforms were aimed at breaking this cycle by ensuring that assistance was no longer linked to output.

The result was a fall in production and a gradual elimination of surplus stocks. Cereal stocks dropped from their peak of 33m tonnes in 1993 to 5.3m tonnes in 1996. Similarly, surplus beef stocks fell from Lim tonnes in 1993 to zero in 1996 before the crisis sparked by "mad cow" disease broke.

EU officials predict that a large portion of the 202m tonne harvest could be sold into intervention as the end of the marketing year approaches in June. In the case of beef, surplus stocks have risen to 450,000 tonnes of beef in the wake of the "mad cow" crisis. Milk surpluses are also beginning to

emerge.
"The EU's food mountains have largely disappeared. But now we are looking at the scenario of the mid-80s and early '90s repeating itself," and EU diplomat

However. Mr Fischler faces a tough battle with EU the US and Europe for help member states, notably to avoid the country sliding France, over any proposed rise in the set-aside rate. France, the biggest EU grain formed Forum for Democproducer, has been the driving force behind successive cuts in set-aside, which now stands at 5 per cent - the lowest level since it started tiated solution. at 20 per cept in 1993.

Mr Fischler is expected to use the threat of food sur pluses in the EU to back his calls for further reforms to the CAP. He warned yesterday that the impact of the 1992 reforms would have bottomed out" by the end of the century, target date for the next round of reforms.

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EU hard | Swiss to set up new holocaust fund

By William Hall in Zurich, and Norma Cohen and Kenneth Gooding in London

Switzerland is to revalue its gold reserves and use a substantial portion of the profits to set up a SFr7bn (\$4.75bn) humanitarian fund to aid victims of the holocaust and other catastrophes.

The size of the fund, which around SFr350m a year, is an attempt to defuse the escalating row over Switzerland's wartime role in helping finance Nazi Germany. The dispute has hurt the country's reputation abroad and is threatening to dam- fell to \$350.05 a troy ounce.

operations of the big three close. Swiss banks.

Until now the Swiss government has steadfastly refused to commit itself to contributing to a humanitarian fund before the results of its official historical commission have been published. The plan avoids the need

to raise taxes but it led yescould eventually pay out terday to a sharp drop in the gold price, since it confirmed long held fears that Switzerland, which has one of the world's biggest gold reserves, would start selling gold on the market. In late trading in London the price

age the international down \$9.75 from Tuesday's approximately 10 years and

The Swiss National Bank's gold reserves, based on a legally fixed price of SFr4,595 per kilogram, are currently valued at SFri2bn, or less than a third of the current market value. Under the plan, which will involve a change to the Swiss constitution and be subjected to a "substantial proportion" of the revaluation gains on its gold holdings to the "Foundation for Solidarity".

The foundation will sell the gold transferred to it in the market over a period of

invest the proceeds in interest bearing assets. Some analysts suggested that the Swiss bank would have to sell about 570 tonnes of gold but this could be absorbed

spread over 10 years. Half of the money from the new fund will be distributed in Switzerland and half popular referendum, the abroad. The money is des-SNB will make available a tined for victims of poverty and catastrophes, of genocide and other severe breaches of human rights, such as victims of the holocaust.

Mr Edgar Broniman, president of the World Jewish

ish Restitution Organisation (WJRO), welcomed the move.

"We hail President Arnold Koller's announcement as representing a victory for the Jewish and Swiss easily by the market if peoples," he said, adding that the WJRO, which co-ordinates payments to holocaust victims, "pledges to co-operate with the Swiss authorities."

However, the announcement appears unlikely to derail the multi-billion dollar class action suits filed in the US on behalf of holocaust victims who deposited assets in Swiss banks.

Renault workers despair for Europe's job security

factories of Vilvoorde, an found out on the bus home from the industrial northern suburb of Brussels, the yellow-green prefabricated walls of Renault's car plant seem a symbol of modernity.

Renault Vilvoorde, where 3,100 jobs will disappear when the plant closes in July, bears little resemblance to Forges de Clabecq, the bankrupt steelmaker about 50km to the south where 1.800 jobs are threatened.

Unlike Clabecq, Vilvoorde is not an investment-starved, industrial dinosaur. The French carmaker poured BFr8.5bn (\$244m) into the plant three years ago, demolished half the factory and replaced it with an automated production line.

The new factory opened in January 1995, with the final stage of reconstruction - a computerised. laser-controlled parts store - completed only months ago. Workers took the investment as a guarantee of their future.

"When you see so much money put in, you think, maybe I will buy that house after all," reflects Mr Jean Pas, a Renault worker and shop steward of the CSC Christian socialist union. If a modern, profitable factory like

Vilvoorde can close without warning, say Mr Pas and his colleagues. can workers anywhere in Europe feel secure in their jobs? Workers' anger is fuelled by the way last week's closure announce-

ment was made - Relgium prime minister Mr Jean-Luc Dehaene called it "brutal". Many heard it first on the radio as

By Kevin Done in London

and Kerin Hope in Athens

The European Union is

sending Mr Hans van Mierlo,

Dutch foreign minister, to

Albania tomorrow for urgent

talks with the beleaguered

government, amid mounting

diplomatic efforts to seek a

Troops sent to quell riot-

ing in southern Albania

fought their first skirmishes

with armed rebels since Sun-

day's declaration of a state

of emergency but were beaten back by determined

Albanian opposition par-

ties vesterday appealed to

into civil war. The recently

racy called on the interna-

tional community to put

pressure on President Sali

Berisha to end the state of

emergency and seek a nego-

By John Thomhill in

Gooding in London

be re-nationalised.

investors in Russia.

Moscow and Kenneth

Trans-World Metals, the

UK-based group that has

Russia's biggest smelters,

has started a high-profile

campaign in the west to

resist pressure for the Rus-

sian aluminium industry to

Mr David Reuben, Trans-

World chairman, suggests in

full-page advertisements in

some western newspapers

that, if the re-nationalisation

campaign continues, it will

deter all potential foreign

Trans-World has been the

subject of a storm of contro-

versy in Moscow as media

reports have attempted to

link the company with cor-

ruption at the top echelons

of the Russian government.

Last month Mr Anatoly

local resistance.

political solution to violent

unrest in the country.

mid the derelict red brick they started the evening shift; some workers' representatives and management over increased flexibility and productivity, closure was never hinted at.

"We never finished the talks," says Mr Daniel Olijfs of the FGTB socialist union. "They announced the closure before we had a chance." Renault may now face a legal challenge for failing to respect EU directives on worker consultation. Mr Jacques Santer, European Commission president, effectively threw the Commission's weight behind a challenge when he told the Belgian king

respected the spirit of the law. But industrial relations at Vilvoorde had previously been good, and the plant held up within Renault as a model of good practice.

yesterday that Renault had not

The 1994 investment was accompanied by agreement between unions and management on a flexible working system. Out went eight-hour shifts and the five-day week. in came nine-hour shifts, and a variable number of working days per month. But as Vilvoorde has shown, flexibility cannot guarantee jobs.

Renault must both reduce capacity in a saturated European car market, and cut costs as it prepares to announce its first loss in 10 years estimated at FFr5bn (\$880m).

The carmaker says it will save FFr850m a year by closing Vilvoorde, and achieve the same level of production of Clio and Mégane cars with 1,900 workers in French and Spanish factories as that

reported that Albanian army the measures introduced

units were moving towards under the state of emer-

Albania.

gency, to between 10pm and

6am in northern and central

Mr Wim Kok, prime minis-

ter of the Netherlands,

which holds the rotating EU

presidency, said Mr van Mierlo would fly to Tirana

tomorrow after talks in

Athens today and Rome ves

terday. V'estern govern-

ments are urging Mr Berisha

to form a government

including the opposition and

to adhere to international

principles on human rights

and democracy, despite the

former Austrian chancellor,

who has been appointed by

the 54-nation Organisation

for Security and Cooperation

in Europe (OSCE) to mediate

in the Albanian conflict, is

could be delayed beyond this

week because of Albanian

opposition to the timing of

LME High Grade 3-month

boards and inspect the skele-

Some political observers in

Russia believe the attacks on

Trans-World are an attempt

to undermine Mr Oleg Sos-

kovets, the former first dep-

close ties with the metals

industry.

uty prime minister, who has

Before his dismissal last

June, Mr Soskovets was a

fierce rival of the reformist

wing of the government led

by Mr Anatoly Chubais, cur-

rently head of the presiden-

Mr Soskovets, who retains

powerful industrial ties, is

also believed to be backing

tial administration.

But the OSCE mission

also to visit Tirana shortly.

Mr Franz Vranitzky, the

emergency.

the visit.

EU mission to Albania

Saranda, opposite the Greek

holiday island of Corfu, and

that a clash took place out-

side Stjar, a village 10km to

the east. Several truckloads

of soldiers retreated after

exchanging fire with armed

villagers, and four people

were treated for gunshot

wounds at Saranda hospital.

weapons toted from mili-

tary warehouses and ammu-

nition dumps were shown

standing guard at roadblocks

in what appeared an organ-

ised attempt to stop troops

There are growing doubts

about army morale and

authorities confirmed that

General Sheme Kosova,

army chief of staff, had been

dismissed and replaced by

Major General Adem Copani,

Mr Berisha's personal mili-

in the south, Mr Berisha last

night proposed relaxing the

But Mr Kulikov, who is

responsible for combating

organised crime, has a con-

troversial reputation and has

of Russia's business leaders.

previously antagonised some

tional revenue by nationalis-

Mr Reuben sald yesterday

his group was the biggest

investor in Russia outside

the oil and gas industry with

\$1.5bn "in the system" and

more than 1.000 direct and

indirect employees. He said:

"We have so much at stake.

Why would we risk all that

by doing something wrong?"

He said not a single charge

or accusation had been made

publicly against Trans-

World. "We are a pawn in a

The smear stories were

"I am fed up with being

announced his ministry was every day. I want people to the presidential ambitions of

conducting an investigation see how courageous we are. Mr Alexander Lebed, the for-

likely to stick unless Trans-

World forced matters out

wider political game."

into the open, he said,

into Trans-World's activities. Let them look into our cup-mer general.

With unrest concentrated

reaching Saranda.

tary adviser.

Greek TV stations nationwide curfew, one of

Trans-World spells

out case on Russia

become the world's third Last year he outraged Rus-largest aluminium producer sia's bankers by suggesting

by buying control of two of the state could raise addi-

Kulikov, interior minister, the underdog being beaten

Local bels armed with

achieved by 3,100 in Belgium. Vilvoorde workers dispute those

forecasts but admit they are paid more than French counterparts. Their average net pay, BFr60,000 (\$1.724) a month, is similar to that of French Renault workers. But Belgian social security contributions and income tax - among the highest in the EU - mean that to achieve the same take-home level, gross pay must be higher. Some estimates put total costs of employing Renault workers in Belgium, including the employer's social contributions, at 30 per cent more than in France, and 48 per cent more than in Spain.

Vilvoorde workers were told their cars often topped Renault's groupwide quality assessments but production costs were BFr6,000 per car higher than in France.

But while Renault will not release results for individual factories. Vilvoorde insists it made an operating profit. Workers believe they are being laid off because it was easier politically - and legally, thanks to lighter Belgian employment legislation - for Renault to cut jobs in Belgium than in France. The message of Vilvoorde is two-

First, Belgian social costs pose a serious threat to competitiveness And, in a single-market Europe, multinational companies will ruthlessly exploit differences not just in wage costs, but employment laws, Mr rity reforms, using special powers Thanks Renault. won from parliament last year.

But, the Belgian premier insisted



A Renault worker vents his anger

to a bankers' conference this week, the only means of preventing future Renault-type decisions is monetary union - followed by rapid harmonisation of tax and social laws.

"Only Europe-wide co-ordination in social matters offers a response to the individual strategies of multinational enterprises - strategies which lead to delocalisations and concentration of production sites," he said.

Mr Dehaene wrote to Mr Santer demanding a more "vigorous" EU social policy - a suggestion Mr San-ter yesterday hinted he was sympathetic to. The Commission president's concerns reflect those of grassroots workers. "I am pro-European," says Mr Pas at Vilvoorde. "But this is not the Europe we wanted. It is not a Europe of the

For the local town where most factories have already closed, Mr Pas adds, losing Renault will be catastrophic. Across the road, at the Sinatra Café, the proprietress is taping Dehaene has understood both les- a note to the window: "The Sinatra sons. He is working on social secu- is dead, and I've got two children.

Neil Buckley

Anglo-Italian marriage of convenience

Series of ventures may arise f om GEC-Finmeccanica deal

By Robert Graham In Rome

important new phase following the collaboration agreement announced yesterday between state-controlled Fin- decade, Finmeccanica has meccanica and the UK conglomerate GEC.

The deal is one further step down the complex path towards the privatisation of Finmeccanica, 62 per cent owned by Iri, the state holding company. It demonstrates the group is serious about reducing costs and raising profits in a sector

dogged by losses. Finmeccanica's companies account for 70 per cent of the entire business of the Italian defence industry. However, defence sales only represent 16 per cent of Finmeccanica's total annual sales which this year should reach L14,800bn (\$8.8bn).

Though possessing strong niche technologies in defence, Mr Fabiano Fabiani, Finemeccanica chairman, is convinced survival depends on forging closer structural alliances with European partners.

Finmeccanica, he believes, on co-operation deals for specific programmes such as the Euro-fighter to a broader based arrangement that obtains costs benefits from integrating technology along with industrial and marketing policy.

"This is an important first step in this process," Mr Fabiani said yesterday. "We have been talking to GEC for some time, but the impetus came from meetings with Mr Simpson (the GEC chief executive) last November."

The move has only been possible following a long consolidation of the defence industry. This culminated last September in all Finmeccanica's activities being grouped under the umbrella

of Alenia Difesa. Defence activity within The rationalisation of Finmeccanica is grouped Italy's defence indus-into five divisions: radar; try has entered an missiles; naval systems; Otobreda (armaments) and avionics. Following cuts in the defence budget over the past sought to reduce over-dependence upon orders from the Italian armed forces. Indeed, previous international co-operation deals have often led to rancour because the

> ordered on the scale originally envisaged. Mr Fabiani has concentrated on specific areas of expertise. Much energy has gone into Alenia's technology and production skill with radar systems and mis-Sile systems. It has also focused heavily on avionics. a field in which it is the

Italian military has not

third European producer. Pending the technical assessment of experts from the two groups, due to be complete before the summer, the logic of the agreement is for a series of joint ventures with GEC as a preliminary to closer integration.

GEC, like Finmeccanica, mixes civil and military business. In 1995 lri commismust move on from relying sioned a study from management consultants McKinsey with the aim of separating Finmeccanica's defence and aerospace business from its civil activities (automation, energy, engineering, transport). Iri believed this would make the group easier to privaluse.

> Mr Fabiani won the battle to preserve his empire intact. But Iri last May demanded non-strategic assets be sold and debts near halved within two years. Finmeccanica's net debt at the end of 1995, its last balance sheet, stood at L4,878bn. Since January 1996 it has divested assets totalling L1,800bn and is confident net debt can be brought

EUROPEAN NEWS DIGEST

Tougher EU waste plan

The European Commission yesterday agreed tougher rules on waste management to reduce pollution from landfill sites; including a ban on dumping used tyres. The controversial proposals had been blocked by Sir Leon Brittan, the EU's chief trade negotiator, on the grounds that they were too expensive.

The plans have been changed to allow greater flexibility and a longer phasing in period. Officials said this might be sufficient to overcome opposition from countries such as Britain, Ireland, Greece and Portugal, Most northern member states already have suphisticated waste disposal programmes.

The proposals include targets for cutting household waste dumped in landfill sites, and ban the disposal of tyres and materials which are explosive, corrosive, oxidising or flammable. The share of biodegradable municipal waste deposited in landfill sites would be limited to 75 per cent of generated waste in 2002, 50 per cent in 2005 and 25 per cent by 2010. The earliest target would be voluntary. Ms Ritt Hjerregaard, environment commissioner, said the proposals would lead to lower pollution clean-up costs as well as provide opportunities Caroline Southey, Bruss for eco-businesses.

Russian debt crackdown

Russian companies with large state debts will have to transfer controlling stakes in trust to the state or face bankruptcy under an order signed by Mr Victor Chernomyrdin, the prime minister. A government spokeswoman said the scheme was part of a broad

government plan to restructure companies' state debts. indebted enterprises would transfer 50 per cent plus one share of their paper equity to the Federal Property Fund. In return, they would be given five years in which to pay off their principal debt and 10 years to pay off any fines. If a company failed to make two consecutive payments or stopped paying current taxes during the restructuring period, the state could sell its shares.

The spokeswoman said a list of companies had not yet been drawn up, but Russia's biggest car company, Avtovaz, would top the list. Reuter, Moscon

Scalfaro intervenes on iobs

Italy's President Oscar Luigi Scalfaro has taken the unusual step of summoning senior members of the government to discuss unemployment. While he has no authority to direct policy, his action comes at a time of growing trade union impatience with government failure to implement a jobs pact signed last September.

Opposition politicians attacked the initiative. One described it as "absolutely irregular"; another said it demonstrated "the inability of the government to intervene in matters related to jobs". Government members appeared embarrassed, and Mr Tiziano Treu, the labour minister, pointed out the meeting was merely consultative. Unions, on the other hand, congratulated President Scalfaro.

Last September's jobs accord envisaged accelerating ublic works programmes and easing employment egislation to bring down Italy's jobless rate. This is about 12 per cent of the active population, nearly double that Robert Graham, Rom figure in the depressed south.

Nato command compromise

Germany and the US have raised the possibility of a compromise in the dispute over whether Nato's southern command, based in Naples, should be headed by a European or an American. A proposal to postpone the issue's final resolution for five to seven years was floated during this week's talks in Bonn between Mr William Cohen, the new US defence secretary, and his German counterpart, Mr Volker Rübe.

British officials said the solution could lie in promoting European officers to more senior positions in Naples - a process which has already begun - while leaving the top iob in US hands.

France has said it will suspend its gradual integration into Nato's military wing unless it gets satisfaction on key demands. It wants the US to hand over, or at least share with the Europeans, its long-standing control of the Naples command.

Mr Coben - on his first trip to Germany - reaffirmed that the US would withdraw its troops from Bosnia as planned in mid-1998, prompting Mr Rühe to insist that in that event, European peacekeepers would leave as Ralph Atkins, Bonn, and Bruce Clark, London

Commission settles for 20

The European Commission agreed last night to set a ceiling of 20 commissioners to cope with the prospective admission of central and eastern European countries at the turn of the century.

The agreement followed a long and difficult debate, with large member states pressing for a reduction in the number and smaller countries insistent on preserving their right to a commissioner. There are 20 commissioners at present: Britain, France, Germany, Italy and Spain have two each.

The final Commission proposal, to be submitted to the EU's inter-governmental conference, establishes the principle of seniority explicitly for the first time. Thus, some commissioners will have portfolios and others not. France is pressing for the Commission to be cut down to around 10 so that commissioners have "real jobs"; smaller states have threatened to block a conclusion if they lose

ECONOMIC WATCH

Scant growth in Germany

German ODP

domestic product of just over 0.5 per cent in the previous quarter. However. as indicated in earlier figures. GDP for the year

1994 95 95 Mante of all and affective

was 1.4 per cent higher than in 1995. Faster growth is expected this year helped by a weaker D-Mark and the rebuilding of industrial stocks. The government expects economic activity to rise by 2.5 per cent in 1997. Employment, meanwhile, continues to fall, with a 491,000 drop in the number of people in work in the final three months of 1996 compared with the same period a year before. Official unemployment figures for

Germany's economy saw

almost no growth in the

to the federal statistics

revised increase in 27088

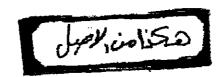
office. This followed a

compared with the

final three months of 1996

February, due today, are expected to show a much smaller rise in the headline total compared with January's 500,000 increase. Industrial production fell by a seasonally-adjusted 1.7 per cent in January compared with December. Exceptionally cold weather contributed to a 25 per cent drop in construction, but manufacturing output rose by 1.4 per cent and investment goods production by 7.5 per cent. Ralph Atkins, Bos

■ Spain's fourth quarter GDP rose by 0.8 per cent from the third quarter, and by 2.6 per cent from a year earlier, the national statistics institute said.



her E

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NEWS: ASIA-PACIFIC

Economic ministers appointed in South Korean government reshuffle

Kim replaces nearly half his cabinet

By John Burton in Seoul

Mr Kim Young-sam, the South Korean president, yesterday replaced nearly half his 22-member cabinet, including the main economic ministers, as part of a government shake-up in response to

the Hanbo loan scandal. The reshuffle has provoked criticism that the frequent change of ministers during Mr Kim's administration has led to inconsistent policies that have harmed eco-Mr Kang Kyong-shik, a govern-

sixth finance minister to serve justice, trade and industry, conunder Mr Kim since the president took office in February 1993. The average term of ministers in this post is less than 10 months.

Those replaced yesterday were not directly implicated in the scandal. But most of their departments either approved the bankrupt Hanbo Steel project or conducted a probe, criticised for being inadequate, of allegations that officials were bribed to force banks to make

loans to Hanbo. The ministries involved in the

struction and transport, science and technology, culture and sports, the fair trade commission, and patriots and veterans affairs.

The reshuffle follows the appointment of Mr Koh Kun as the new prime minister and the replacement of top presidential state intervention, Mr Kang is aides, including the economic expected to play a crucial role in adviser.

Mr Kang had a long career in state economic posts, including of the 11,000 administrative regula-serving as finance minister in 1982, tions. They have been blamed for before becoming a governing party harming economic competitiveness

ing party MP, will become the reshuffle included home affairs. MP. He is a close political ally of and fostering official corruption. Mr Kim since he represents a district in the port city of Pusan, the president's political stronghold, and has advised him on economic

> Considered a supporter of reform and market opening in an economy that is still strongly influenced by the new prime minister's proamme to ease or eliminate some

Mr Lim Chang-yuel, the vice finance minister, was appointed to head the trade and industry ministry, and Mr Kang Oon-tae, a former agriculture minister, became the nation's second home affairs minis-

The head of the patriots and veterans affairs ministry is believed to have been dismissed because of his close ties with the president's son, Mr Kim Hyun-chul, who has been suspected of being involved in the Hanbo scandal although officially cleared of any wrongdoing.

government has so far real-

battle, the Philippines has

yet to recover any of the \$500m which it claims is

held in Marcos bank

accounts in Switzerland. A

series of court appeals has

followed a Swiss tribunal

ruling in 1990 upholding the

PCGG's right to freeze the

Because of a long legal

ised 31hn pesos (\$1.2hn).

ASIA-PACIFIC NEWS DIGEST

An arm of China's central bank is to take a stake in a money printing plant in Hong Kong, another example of mainland companies taking stakes in key commercial groups in the territory. China Banknote Printing and Minting Corporation (CBPMC), a subsidiary of People's Bank of China, which prints and mints the Chinese yuan has agreed to pay HK\$42.5m (US\$5.5m) for 15 per cent of Hong Kong Note Printing Limited (HKNPL).

HKNPL has been wholly owned by the Hong Kong government through the Exchange Fund, the territory's treasure chest, since April last year. The acquisition was welcomed by both Mr Donald Tsang, Hong Kong's financial secretary, and Mr Joseph Yam, chief executive of the Hong Kong Monetary Authority, the de facto

In May 1994 Bank of China became the territories' third note issuing bank alongside Hoogkong and Shanghal Bank and Standard Chartered. Louise Lucas, Hong Rose

Vietnamese fine for investor

The authorities in Ho Chi Minh City have recommended fining the Vietnam-based unit of Hong Kong's Peregrine-Investments Holdings \$100,000 for alleged abuse of business licences. Peregrine Capital Vietnam (PCV) was one of the first investors in the country when it opened up to foreign capital in the early 1990s.

City officials say PCV had been operating a representative office at a site without a "location permit" They have recommended the Hanol-based ministry of trade - which licenses such offices - fine PCV for failing to have the permit. Five affiliates of PCV were also recommended to be fined \$10,000 each.

PCV is 40 per cent held by Mr Nguyen Trung Truc, an Australian businessman of Vietnamese origin, and his Malaysian wife and the rest by Hong Kong-based Jeremy Grant, Hand Peregrine Investment Holdings.

Six in Australian airport bids

A shortlist of six consortia have been invited to submit revised offers for the Melbourne, Brisbane and Perth airports by mid-April, as part of an A\$2bu (US\$1.6bn)

airports privatisation programme. Nine consortia - most made up of both international and domestic players - put in a total of 18 bids in the first round of bidding, which closed on January 30. The government has said it intends to sell all 22 airports run by the Federal Airports Corporation but has started by offering long-term leases on these three only.It hopes to complete the sales by end-June.

Taiwan to lift futures ban

Taiwan plans to lift a ban on local trading of Taiwan stock index futures listed offshore in a liberalisation measure welcomed by Taiwan investors. Mr Paul Chiu, central bank governor, also said yesterday that the Taiwan stock exchange would launch share warrants for the first time. Both moves will be approved in April. The announcement follows the passage on Tuesday of laws paving the way for establishment of a domestic futures Laura Tuson, Taine

■ Philippine inflation fell to 4.4 per cent in February, against 5 per cent in the previous month, after another sharp fall in the price of rice. Justin Marozzi, Manila

Marcos skeletons rattle in boardrooms

Justin Marozzi on uphill attempts to recover assets acquired under the Philippines dictator

"people power" revolution swept Philippines dictator Ferdinand Marcos out of office, the corruption of his era still overshadows the boardrooms of some of the country's biggest compa-

Within three days of the revolution, President Corazon Aquino established the Presidential Commission on Good Government (PCGG) to recover ill-gotten assets accumulated during the Marcos years. It was empowered to sequestrate these assets and begin legal proceedings to prove their illegitimate origin. But the PCGG's efforts, which include placing directors on company boards, have run into an embarrassing stale-

Attempts to unravel the rampant cronyism, under which the late Mr Marcos distributed large chunks of the economy to his friends and allies, have all but foundered in an interminable mass of legal disputes and diversionary tactics in response to more than 500 PCGG writs. One leading Philippine business dynasty associated with Marcos, the Cojuangco family, has had writs served on more than 250 of its companies.

While legal cases proceed

leven years and two has what many regard as a presidents after a detrimental influence on company boards. These include some big listed groups such as Philippine Long Distance Telephone Company (PLTD), the telecommunications company also listed in New York, San Miguel, the country's largest beer and food company, and PCIBank, beset by internal disputes over share owner-

> Many analysts believe that San Miguel has been hampered in efforts to raise capital by the majority of PCGG directors on its 15-strong board. San Miguel maintains silence but there is evidence elsewhere that the PCGG's conservative and passive role is hampering efforts by corporate managements to profit from the Philippines' conomic deregulation.

> In another ownership dispute, Puerto Azul, a property company, had its attempts to list on the Manila exchange frustrated after a fight between the Marcos family, the stock exchange, the PCGG and the Securities and Exchange Commission. But Mr Magtanggol Guni-

gundo, chairman of the PCGG, brushes aside criticism. "We don't meddle with management. If you really need to increase capital and it will redound to the interests of the company and will at a snall's pace, the PCGG benefit the government



Ferdinand and Imelda Marcos: a lingering effect

stake, we will not be a hindrance." He points to the commercial success of the PLOT with the commission on board. He also says groups such as Traders Royal Bank and United Cocontit Planters Bank have benefited from the commission's choice of directors.

layers of corporations here and abroad to conceal their

The PCGG should have been given more teeth from the start, he says. "I would

commission has been outgunned. "You're up against the big families under the Marcoses and their cronies. They used dummies, fronts,

> and far between but some individuals have voluntarily turned over gains from the Marcos era. One of them. Mr

Deodoro Locsin, a newspaper Marcos bank accounts. Some would argue Filipicolumnist and PCGG direcnos are too willing to forgive tor on the San Miguel board, and forget. The PCGG has says political considerations failed conspicuously in its may weigh too heavily with the courts in certain PCGG cases. If a crony is judged to

have declared the assets Jose Yao Campos, surren-

ill-gotten and given the bur- dered assets from which the

den of proof to the cronies to

prove they were lawfully

acquired or otherwise

declared forfeited and confis-

cated. That would have

changed everything and I

would have finished the

At the heart of the prob-

lem, say observers, lies a

painfully slow legal system

open to outside influence. Mr

commission, he says.

from the start. It could not

confiscate outright. Every-

thing had to go through the

courts. It also has the worst

lawvers because they're on

government pay. If you're a

lawyer you have to be des-

PCGG successes are few

perate to get a job there."

work in a year.'

attempts to implement a single writ of sequestration on be in favour with the governthe Chinese-Filipino busiment, the court is more nessman Mr Lucio Tan. Worth an estimated \$8bn. likely to rule against the with an empire of unlisted companies dating back to Mr Alex Magno, professor the Marcos years, Mr Tan is of politics at the University of the Philippines, describes the country's judiciary as perhaps the richest man in the Philippines. Many claim "strong, capricious and corhe owes his wealth to close rupt". He is pessimistic. ties with Marcos. The PCGG was doomed Mrs Imelda Marcos, sup-

posedly the real power behind her husband's throne, is now a congresswoman living in the most exclusive condominium block in Manila. There is little prospect of a speedy resolution to the PCGG cases. Mr Gunigundo says: "The ghost of Marcos still haunts this country - and

it's definitely not a friendly

Mr Gunigando says the

In the world of automotive component systems, Rockwell is world class.

Rockwell

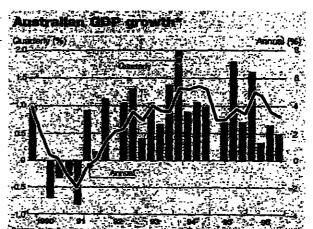
Australian economic growth 'Malion rate falls below 3.5% forecast

Australia's economic growth rate fell to 3.1 per cent, yearon-year, in the last quarter of 1996, but Mr Peter Costello, federal treasurer. insisted the government was on track to meet its target of 3.5 per cent growth forecast which ends in June. The Liberal-National coali-

tion government has recently taken heart from an apparent upturn in economic activity in the past two months – probably a delayed reaction to three official interest rate cuts in the sec-January's retail sales and building approvals, published earlier this week. showed signs of consumer confidence returning.

"I think all would agree that the economy has been strengthening in 1997 and we'd be looking forward to strong growth, which I think does make those targets in the December quarter had achievable," Mr Costello said stood at around 3.5 per cent

The figure reflected fallen from over 4 per cent in



growth of just 0.5 per cent, the first part of 1996. seasonally adjusted, in 1996's final quarter, down from a revised 0.6 per cent in the September quarter.

had been expected, this was weaker than most analysts had forecast. Predictions for the year-on-year growth rate stood at around 3.5 per cent. The growth rate has now

Private consumption was only 2.8 per cent in 1996 overall, the lowest year-onyear increase for almost three years. By contrast,

business sector investment increased by 20 per cent. The "two-tier" nature of the Australian economy in late 1996 was also confirmed by yesterday's data, with the

ing to grow fairly strongly. fell 2.6 per cent.

pointed out that the Austra-

lian economy had probably fallen to an annualised growth rate of little more than 2 per cent in the second half of 1996, and would need to rebound very strongly to Even if the economy is picking up, which we all hope very much it is. I don't think anyone believes that that kind of surge is now possible," said Mr Gareth

Evans, shadow treasurer. Mr Evans warned that if . the growth forecast was missed, the government's efforts to pare the federal budget deficit could be jeopardised (as revenues would be depressed). The government originally forecast a A\$5.65bn (US\$4.4bn) deficit August, but has since been obliged to revise this to A\$8.49bn, largely because of

Pakistan debt concern revives

By Farhan Bokhari in Islamabad

An International Monetary Fund mission has arrived in Pakistan amid fresh concern over the country's relations with its creditors and its ability to meet targets set by the Washington-based organ-

At stake in the short-run is disbursement in April of the next tranche of \$122m as part of Pakistan's \$831m without this money Pakistan could face a loss of confidence, exacerbating difficulties meeting service payments on its \$30bn foreign

Pakistan faces service payments of over \$2bn by June, - enough to finance less The trade deficit is expected

to reach \$3.5bn when the financial vear ends in June. Officials insist reform proposals promising to encour-

age new investments, attract local banks and revamp the tax system, outlined by Prime Minister Nawaz Sharif's month-old government, will satisfy the IMF for the time being But private sector econo-

mists say there is concern over the budget deficit. This standby loan agreement is unlikely to be reduced to 4 with the IMF. Bankers say per cent of gross domestic product, from 6.3 per cent last year, because of poor tax revenues. Trimming the deficit is a central condition for continued IMF co-operation. Failure to meet the targets under the standby credit could prevent Pakistan winbut reserves total only \$1bn ning a larger credit under the IMF's structural adjustthan five weeks of imports. ment facility, on which the new government is counting. | India Mr Camdessus praised

Camdessus urges reforms on India

in New Delhi

India must further tighten its fiscal discipline and embark with "boldness" on a "second wave" of structural reforms if it is to emulate its faster-growing south-east Asian neighbours, Mr Michel Camdessus, managing director of the International Monetary Fund, said yesterday.

He said the recent slowdown in industrial output and export growth suggested the effect of the first wave of structural reform measures might be "losing its momentuna".

He urged India's government to build on the past five years of reforms and "try to do the other half of the journey towards catching up the performance of the Asian tigers".

After a four-day-visit to towards full capital account

the fiscal tightening and tax-cutting budget last week by Mr P. Chidambaram, finance minister, but called it only a "determined start" in tackling India's gross public sec-

baram's projection of tax revenue buoyancy resulting from sharp cuts in personal and corporate tax might be "optimistic". There was a danger lower taxes might result in a revenue shortfall.

Mr Camdessus urged the government to move more aggressively to speed up privatisation and encourage public sector reform through greater competition, while further reforming labour and

companies law. He also said India should and could "within months" begin taking the first "delib-

convertibility.

NEWS: THE AMERICAS

jects generating \$9.6bn in US

exports, the administration

was confident of getting

Congress to extend Opic's

authorisation for five years.

and even sought to double

the statutory ceiling on its

of those proposals last Sep-

tember, Opic's fortunes have

taken a sharp turn for the

a temporary one-year re-au-

Harkin, its president,

announced that she would

step down at the end of this

But after a surprise defeat

total exposure to \$45bn.

nt Sta Prosecutor Ching urged for funds probe

By Gerard Baker in Washington

5.

ا جديد ٿا-

efforts to force the appoint-Democratic party's fundraising activities in last year's

Ms Janet Reno, attorney general, to appoint a special counsel to look into the growing allegations of improper behaviour by leading Democrats up to and including President Bill Clinton and Vice President Al

gation should be focused solicitation of political camnarrowly on activities in the presidential campaign last year, and rejected calls from some in Congress that the range of the inquiry should should be broadened to it if point include allegations of corthat the a tors and congressmen them-

The president and vice president have been besieged for months by multiplying allegations of impropriety in the president and the vice the way their re-election campaign team solicited force a change. Two Demofunds from contributors.

claims that the Democrats in calls for an independent effect sold special access to counsel. the president to a number of filliff | hill supporters willing to pay congress for such a prosecularge enough sums of tor is likely to be made money. It has also been within the next few weeks. alleged that the party in the meantime an investireceived substantial funds gation by a Senate commitfrom groups of mostly Asian- tee headed by Sen Fred American businessmen in Thompson is under way and exchange for subtle changes is expected to begin hearings

The president has come under heavy fire in the last few weeks after he admitted Leading Republicans holding a long series of yesterday intensified their. White House coffee sessions with big contributors, and ment of an independent for developing a variety of prosecutor to investigate the creative means of giving others access to him. Some contributors were invited to go election campaigns.

Sen Trent Lott, the Senate while others, who had paid rather more, were permitted to stay at the White House as overnight guests of Mr

> On Monday, Mr Gore was thrust into the spotlight when he acknowledged that he had made telephone calls from the White House to potential donors to the Democratic party. The use of gov-Sen Lott said any investi- ernment property for the paign funds is expressly forbidden by law.

> Last December Ms Reno rejected a call by Senate Republicans to appoint an independent counsel, saying wrong-doing could be investigated by the Justice Department through normal investigative routes. But the revelations in recent weeks of the roles played by both president themselves may cratic senators have now The allegations include added their voices to the

A formal request from the in administration policy within the next few weeks.



Lott: proposed resolution



Reno: rejected call

T t uses no public money; not just for a renewal of its and be left merely to manage equivalent of the savings US exporters. "Not only does it makes a steady profit mandate, but for its very I for the Treasury and it survival.

has a 25-year track record in Opic has become a prime boosting exports and creattarget for an unlikely coalition of conservatives and ing new jobs. But the Overconsumer interest advocates seas Private Investment Corporation is facing committed to reducing govdestruction by its enemies in ernment involvement in business. Led by Mr John Less than six months ago. Kasich, the Republican head Opic, a government-owned of the House budget commitagency which extends loan tee, they have put Opic high guarantees and political risk on the hit-list of a "dirty insurance for US businesses dozen" federal programmes in emerging markets, was accused of providing "Weltrumpeting its achievefare" - unnecessary government subsidies that distort ments. After a record year in which it supported 169 proinvestment decisions - for

big corporations.

"It's seen as a matter of fairness," says Mr Jim Sheehan, a research associate at the Competitive Enterprise Institute, a free enterprise think-tank. "Congress has set domestic limits on welfare for legal immigrants and other groups and it's seen as inappropriate for large, profitable corporations worse. First it received only to continue receiving their own benefits from organisathorisation; then Mrs Ruth tions like Opic."

That belief has led Mr Kasich and other congressmen to demand Opic be required month; and now the organi- to cease any new governsation finds itself fighting ment-guaranteed business

its existing portfolio. Mr and loan crisis, when the Trent Lott, the Senate majority leader, has similarly singled out the agency as one "in danger of being changed. phased out or eliminated", during the current congres-

sional session.

business sense.

Opic comes under ideological fire

It makes a regular profit for the US Treasury but conservatives and consumer advocates have it on a hit list of 'welfare' programmes, reports Mark Suzman

Adding to Opic's woes is growing concern about the security of some of its loans. particularly to the former Soviet Union. In 1992 and 1994, the administration had little difficulty in getting congressional approval for expanding Opic's activities, and over that period outstanding commitments to Russia and a range of new equity investment funds rose sharply. However, critics say many of these transactions have been driven by foreign

s a result, although the default rate for Opic investments is historically very low around 1-2 per cent - there are fears that the govern-

ment is now over-exposed. Some of the more fiery rhetoric has suggested a string of defaults could

state paid billions to bail out domestic lenders in the late 1980s.

But while even supporters admit Opic's activities have become more politically driven under the Clinton administration, it is still unclear if there is any serious risk to taxpavers. In its defence, the agency points out that it has built up reserves of \$2.7bn and last year continued its unbroken record of being a net contributor to the Treasury, making a profit of over \$200m.

Meanwhile, the anti-Opic onslaught has spurred a belated response from business and international affairs groups, anxious both to highlight the agency's critical role in promoting policy needs and make little important international investments and to head off attacks on other, similar agencies such as the US Export-Import Bank.

These are very important markets and without Opic American companies would not be able to invest," insists Mr Edmund Rice, executive director of the Coalition for through Employment result in an international

helps maintain a US business presence in markets that would otherwise be taken by competitors."

Nevertheless, although the administration has rejected plans to merge Opic with the Eximbank and the Trade Development Agency, a smaller organisation that does similar work, it recognises that the strength of the current opposition makes a resurrection of last year's failed proposals impossible. Instead, it is expected to mise, perhaps seeking re-authorisation for only two years with the promise of extra scrutiny to ensure US

Even that, however, may not be enough to win over a Congress that seems increasingly predisposed to reject the administration's argument that Opic has much more to do with jobs and exports than corporate welfare. "Last year's vote was a gressional official. "Opic is one of the programmes where we're finding it quite easy to generate support for

AMERICAN NEWS DIGEST

US commercial aviation will see steady growth in the next several years, Federal Aviation Administration analysts predicted yesterday at their annual aviation

Domestic air travel will increase by 4.3 per cent this year and passenger growth is expected to average increases of 3.9 per cent to 2008, said Mr John Rogers, director of the FAA Office of Aviation Policy and Plans. The current strong US economy is a factor in increasing air travel, he said at a pre-conference briefing. In addition, the growing number of older people helps boost air travel, since they tend to favour flying on vacations and to visit relatives and are relatively well off. Fiscal 1997 will be the third consecutive year in which

the nation's airlines have posted growth and profitability. said Ms Louise Maillett of the FAA. Airlines had total operating profits in 1996 of \$6bn and a net profit of \$2.7bn, she said. At the same time they had

AP, Washington

Clinton seeks gun curb

an increase in passenger load of 30m.

President Bill Clinton yesterday joined a campaign for tighter regulations on gun sales to foreigners in the US. Mr Clinton urged the passage of a Senate bill making it illegal for non-immigrant foreigners to carry or buy firearms. He also announced new proof-of-resider requirements for legal aliens buying guns under the

Mr Clinton said his initiative was prompted by last month's attack on tourists at the Empire State Building in New York City by a Palestinian teacher. The man had been living in a Florida motel for three weeks on a tourist visa before buying a gun there.

Bankruptcies pass 1m mark

For the first time, the number of Americans filing personal bankruptcies last year surged past 1m. The increase has intensified criticism that consumers are taking court protection from creditors too lightly. There were 1,242,700 bankruptcy filings last year according to a survey of every US bankruptcy jurisdiction by CDB infotek, a Santa Ana public records research firm.

It was up 35 per cent from 918,964 in 1995. A fraction of those filings were commercial liquidations, typically small businesses, CDB found. The rest were personal bankruptcies. Most were personal property. liquidations or Chapter 13 filings, which provide a shield while debiors and creditors work out repayment plans from available income.

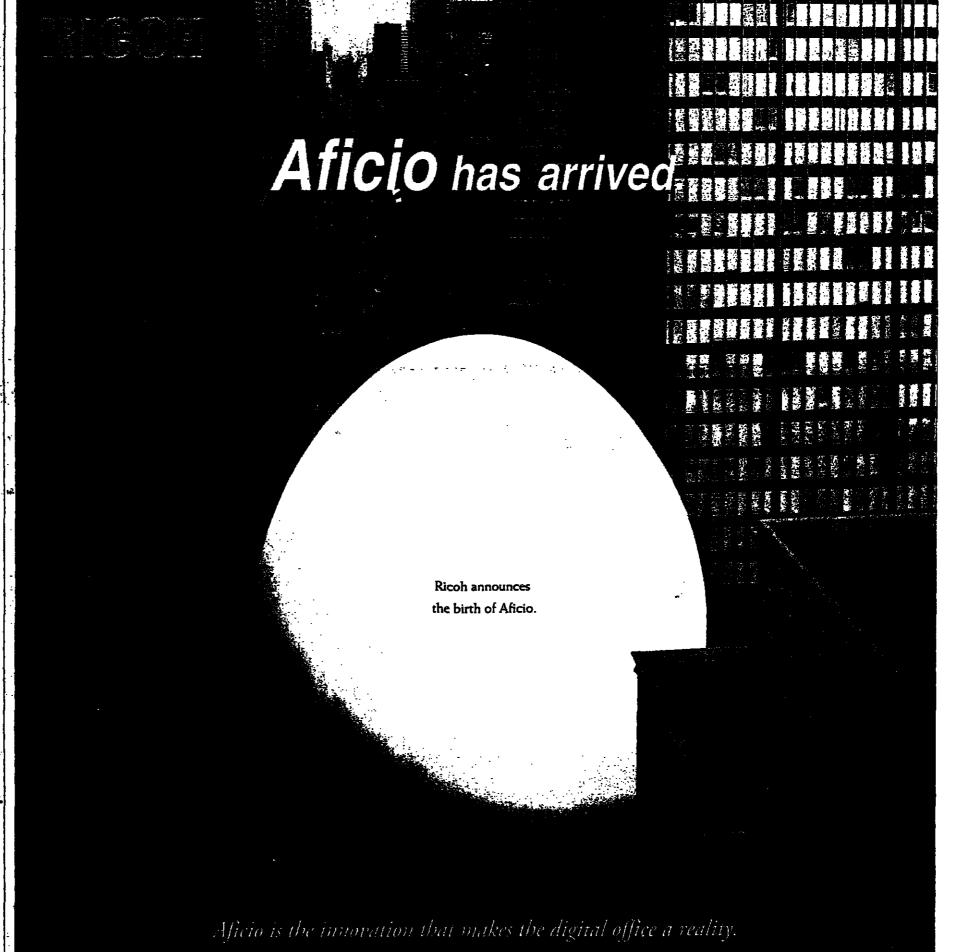
Visa USA, whose members lose billions of dollars a year to bankruptcy filings, also checks the bankruptcy courts. The credit card company's studies showed consumer bankruptcisa rose 26.6 per cent, from 683,000 in 1995 to 1,117,000 last year, said Mr Kenneth Krone, senior AP. Los Angeles vice-president of Visa USA.

Impressionists for auction

One of the most important collections of Impressionist, and post-impressionist, art to reach the market for many years comes under the hammer at Christie's New York on May 12. The collection, which includes works by Cezanne, Menet and Toulouse-Lautrec, is estimated at upwards of

It was formed around 1960 by a Wall Street financier, the late John Langeloth Loeb, and his wife Frances Lehman Loeb, and proceeds from the sale will go towards

similar portraits are in museums, and competition for this one could push the price towards \$30m, beating the previous auction record for Cézanne of \$28m, paid in 1993. A landscape by the French post-Impressionist of the rooftops of L'Estaque, with hints towards Cubism, is



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a charitable trust soministered by their children. The highlight of the auction will be a portrait by Cezanne of his wife in a yellow armchair. Three other

RIBBIL / nashuatec / 🗷 Rex-Rolary / Gestetner

Forex company reveals London accounts

By Clay Harris in London and Davrell Roberts Tien in Stockholm

A US company which played a central role in a high-risk currency trading scheme under investigation in Sweden where investors are estimated to have lost at least SKr55m (\$8m), told the High Court in London vesterday that "substantial amounts of money" were held in its UK bank accounts.

A lawyer for Fairbank Currency Exchange LLC also said the company had done business in the UK. to explain why it had applied in

Early indications are that

the amount of new contribu-

tions which will result from

the reform of the state pen-

sion system will be about

£320m in the first year and

growing by £320m a year

unlikely to cause a revolu-

tion in the financial markets

in the near term. "This is

not something the stock

markets are going to get

amazingly excited about,"

said Mr Keith Skeoch, chief

economist at broker HSBC

At its peak - somewhere

around 2040 - the new

money flowing into the

financial markets from the

scheme will be of the order

of £14bn in today's money.

That sounds impressive

until it is compared to the

size of the pensions and

savings industry at the moment. Around £600bn is

currently invested in pen-

sion funds, according to the

National Association of Pen-

sion Funds, and the value of

unit trusts - mutual funds -

at the end of 1996 was

The annual flows into the

James Capel.

The reform is therefore

Pension reform

unlikely to rock

capital markets

government's scheme. The

NAPF says that occupational pension schemes received

£7.4bn of employer contribu-

tions last year and £3.7bn

from employees. The net

amount of money invested in

unit trusts last year was

£6.5bn while the Association

personal pension schemes

gathered in over £6bn in

Total institutional cash

flow, according to the Office

for National Statistics, was

£45.7bn in 1995 and £50.3bn

in the first three quarters.

The odd £320m from the gov-

ernment schemes will be

just a drop in the bucket by

Furthermore, the first pay-

ments into the scheme will

not be made for several

years and it is possible that

the scheme will not be

enacted if the government

loses the general election, expected on May 1.

The main impact, said Mr

Skeoch, might occur if the

government's scheme causes

a change in investing cul-

ture, with individuals much

more actively involved in

of British Insurers says that

London for a winding up order, or acting for it. Claims by Swedish under state law, Fairbank's office which was granted. Sweden's serious economic crimes office launched an investi-

gation into Fairbank in December after ethnic Chinese investors there complained of making losses on currency trading. Fairbank then ceased operation in Sweden

Vinge KB, the law firm acting as receiver to Fairbank's Swedish associate companies, said yesterday that investors had been given receipts by Fairbank Currency Exchange Group in London, which was presumed to be same company the UK liquidator.

The Swedish companies are owned by Mr Dannis Cheung, a British citizen. He previously ran Pagoda, a UK currency scheme under investigation by the Serious Fraud Office in London over alleged misuse of \$7.5m in investors' funds.

Pagoda's activity helped to lead to a tightening of UK investment regulations last year.
Although registered in Delaware,

where its ownership is confidential

is listed in internal company docu-ments at an address in Old Compton Street, Soho, London, in premises formerly used by Pagoda.
Former employees in Sweden

said Fairbank placed its currency trades by a "hot line" to London. Investigators in Sweden say Fairbank routinely transferred client assets out of the country within two weeks of receipt. They expect shortly to be granted permission by UK authorities to pursue their inquiries in Britain. Currency Exchange Services, an

ties and Futures Authority in tigation was launched. Until then. it had been allowed to operate on an interim basis. As well as supplying foreign exchange prices to Fairbank, CES said it kept its records

English-registered company operating from the same Soho office as

for authorisation by the UK Securi-

and acted as its agent.
The activity of the Fairbank associate companies did not require authorisation under Swed-

NatWest Markets growth

into securities trading.

NatWest Markets, its

market grew from

vice. The agriculture ministry says action taken since

Spot checks have found no

trace of spinal cord attached

to carcases for human con-

sumption since last March.

Minor infractions of rules

were found in about 1 per

late 1995 has led to

clear improvement".



National Westminster Bank's bond derivatives arm, in which a £50m (\$81m) "hole" was found last week, grew rapidly in the previous year as the bank switched more capital

investment banking arm, expanded its share of the global interest rate swaps market, where suspended trader Mr Kyriacos Papouis worked, by 15 per cent.

Other investment banks involved in European fixed interest swaps - financial instruments that allow corporate borrowers and investors to adjust risks - said NatWest had made a strong bid to expand under Mr Jean-Francois Nguyen, its 37-year-old head of fixed income swaps. It recruited 11 staff for the 66-strong operation last year, and expanded its outstanding swaps from £379bn to £550bn in notional value. According to Swaps Monitor, the US publication, the global interest rate swaps

Social service minister Peter Lilley (left) and premier John Major launch the reform plan

Pensions and the state

• 1911 State pensions introduced by Liberal party government 1948 Labour government introduces the universal basic state pension starting at age 65 for men and 60 for women

(Serps) to provide second-tier earnings-related pension; approved with all-party support

● 1986 First bio cut in Seros with night to shift into personal • 1995 Second big out in Serps and equalis age at 65 for men and women

cited for the phenomenal growth of the mutual funds industry in recent years, and

1997 Government proposes or

strength of the US stock the stock market. The widespread use of market. so-called "401 (k)" personal The shift to the new pension funds in the US is scheme might encourage

one of the main reasons individuals to put in additional contributions into their personal pension funds, thus increasing the amount is a factor behind the of money flowing into the

capital markets. However, there are reasons to doubt that this will happen. One of the ways

for 30 years will not seem that enticing. This is especially so as the government has put in place other savings schemes - Personal Equity Plans and Tax Exempt Special Savings

that the UK government is

planning to pay for the cost

of National Insurance

rebates is by removing tax

relief for new entrants to

But industry analysts

point out that it is quite

hard to get young people

interested in pensions in the

first place; the main selling

point is the tax relief. Take

that away and the prospect

of investing for a benefit

which will not be received

pension schemes.

Accounts, which have as attractive tax benefits as the \$590,000bn to \$890,000bn in pension scheme but which will be much more flexible. 1995 and 1996.

Court to hear case on tov patents

By Robert Wright in London

Two US toy companies and a Japanese rival are embroiled in a patent dispute due before the High Court in London.

Tyco Toys, from New Jersev. and Pilot Corporation of America, an offshoot of Pilot of Japan, issued a writ last mouth asking the court to declare that Tomy UK, a wholly-owned subsidiary of Tomy of Japan, had infringed two of their patents with its Megasketcher toy.

The issuing of the writ, after similar action in the US, aims to protect Tyco's \$40m annual sales of its Magna Doodle tov. Magna Doodle, which retails at the Hamley's toy store in London for £21.99 (\$35.70), is made and marketed by Tyco outside Japan under licence

from Pilot Corporation. Both toys use a metal stylus to draw on a magnetic screen and erase by pulling a lever. Tomy's Megafor £24.99. Hamley's said Magna Doodle slightly outsold Megasketcher at the store last year, though exact figures were not available. Tomy UK, which received the writ yesterday, is expected to contest the action but

would not discuss the case. Tyco and Pliot are asking the court for an injunction to restrain Tomy UK from breaching two UK patents related to the Magna Doo-

They are seeking a declaration that the patents are valid and have been infringed by Tomy UK. They want the court to have destroyed material held by Tomy UK which they say infringes the patents and for the court to assess damages Mr Clive Thorne of law firm Denion Hall, represent ing Tyco Toys and Pilot, said the action had been to protect Tyco Toys' market share. Tyco Toys had global sales of \$709.1m in the year to December 1995. Tomy UK had sales in the year to March 1995 of £58.4m.

Chicken and egg, Page 15 tional groups such as to the London, Tilbury &

and the second second second

demanded tougher abattoir rules tion, the Meat Hygiene Ser-Contamination alarmed meat inspectors

ygiene at slaughter-houses has been a spongiform encephalopathy - "mad cow disease" – broke

nearly a year ago. The European Union, alarmed at reports of failings at abattoirs, insisted last June that better controls in the UK should be a precondition for any easing of the beef export ban. Concern has centred on

the safe removal of specified bovine offals - the organs in cattle thought most likely to be infected with BSE. These include the brain and spinal cord. The government banned the offals from human food in 1939, three years after the emergence of BSE in 1986. But the controls were not watertight and had to be progressively extended.

Unannounced visits to abattoirs by state veterinarians in September and Octoher 1995 produced worrying evidence that the rules were the whole vertebral column.

a report by government hygiene inspectors advice team say in the report. to be breeding grounds for potentially lethal organisms and to have very poor food safety

standards, George Parker writes. The most alarming finding in the 1995 draft report, which was suppressed by the government, was that animal excrement was finding its way on to carcases being prepared for human consumption. The excrement can harbour e-coli 0157, the organism responsible for the recent food poisoning outbreaks in Scotland in which 18

"Major faecal contamination on the car- bave no formal procedure to clean up dirty case, due to poor dressing practices, is a stock."

compliance with the rules. still attached to carcases.

including cases in which pieces of spinal cord were As a result of the 1995 findings, the government in December that year banned toirs, although in far fewer slaughterhouses from using cases.

still being flouted. Nearly When the BSE crisis erupted Party blamed cuts in the half the visits found non- in March last year, Mr Keith Meldrum, the government's chief veterinarian told a House of Commons committee that small pieces of spinal cord were still being found on carcases in abat-

They continue: "Dirty animals arriving at the abattoir are a cause of further contamination; organisms such as escherichia 0157 and salmonella can be introduced into the plant on the skins of dirty livestock."

The report says many abattoirs were accepting filthy animals for slaughter. It adds that many slaughterhouses did not have a policy on dealing with dirty stock. "Dirty livestock were seen as the major cause of poor standards of hygienic dressing," the report says. "Most plants

> state veterinary service for the failure of abattoirs to stick to the rules. Others pointed to the fact that responsibility for abattoir

inspection lay with municipal authorities, so that enforcement was variable. In April 1995, the govern-The opposition Labour ment created a unified,

cent of visits to slaughterhouses between September and December. This improvement must be thanks partly to the extra

450 staff recruited by the MHS, nearly doubling its workforce. Funding for these inspectors and veterinarians did not become available until after the March 20 crisis. The MHS has stepped up legal action against slaughterhouses that break rules. with three convictions since last April and several more cases coming to trial or under investigation.

Alison Maitland

Railway companies franchise commitments to new traction and rolling stock

Franchise	LTS Ref.	MIAL	Getudek Expresso	Scotfield	North Landser	SWI	Chiterry	SET	SET :	Cross Country	Cross	ICWC	1 po 2000 p. 4.	NW Regional	Backer of 1	GNER
Operator	, Prisin	NEG"	MEG *	NEG	NEG	Stagecoach	Toxing"	Connex 1	Corner	Virgin	Vigh	Virgin	GES. Fuñación	Holdings	in.	Sea Containers:
Requirement	44 x 4-car	12 × 2-car	8 x 8-car	47 x 3-car	20 cm	30 x 4-car	4 x 3-cas	30 x 4-car	97.x 4-cm	128 Caps	24 t 7-cm	40 x 9/10-car	4-4	70 care	16 a	5 x 10/11-car
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în service	1999	1999	1989	2000	1939	1999	1998	2000	2006	2002	2004	2002	2000	- EUUU -	200	1995
Source: Modern	Raimans			• .						:	Matteria	Express	Chillen Man	omatit John	cabo (Gini	nais class Estant

Orders start to revive train industry

T ncertainties caused by rail privatisation led to a three-year gap in the placing of new orders and forced many companies to shut plants or reduce the size of their workforces. Adtranz, which took over much of the national network's rolling stock manufacturing capacity in 1989, was forced to close a factory with the loss of nearly 3,000

More than £1.5bn (\$2.4bn) of new orders have been promised by the newly-privatised train operators and by the government's rail franchising director for the introduction of new trains. Contracts are finally starting to come through.

Much of the UK industry is now owned by big interna-

link the Canary Wharf office complex with the West End, is running between six and 12 months behind schedule Charles Batchehave opened in March 1998. London Trans-

The London Underground railway's Jubilee would open on time. Mr Peter Ford, LT Line extension, a prestige project which will chairman, intended to announce a sixmonth delay this week but Sir George Young, chief transport minister, intervened when his advisers warned of a possible furfor writes. The 17km extension was due to ther delay. It is understood that Underport has previously insisted the extension sion is up to 10 months behind schedule.

There is little standardisahas its own long established systems for power supply, gap in orders, the company signalling and track dimen-

the train leasing company. have so far had the best of the new orders. The order announced on Tuesday for Adtranz to supply 44 trains

Adtranz (ABB Daimler-Benz) Southend line, which operor GEC-Alsthom, the ates to east of the capital, try, welcomed the Adtranz Anglo-French grouping. justified its decision to keep order. Mr David Morphet, a 250-strong team of designtion in the international rail ers and engineers at its industry and each country Derby plant in the English Midlands during the long

> But Adtranz's rivals are designing a train to be used

Juniper Project.

Mr Sandy Anderson, managing director of Porter-brook, said the most significant aspect of the new Adtranz and Porterbrook, also working on new train generation trains was their train leasing company, designs. GEC-Alsthom is ability to be used anywhere on the network. Rolling anywhere on the network stock leasing companies and under what is known as its the train manufacturers wanted trains which could be transferred between lines

which represents the indus-

director-general, said:

if train operating franchises changed hands.

The former state network designed trains to fit specific routes which meant they could not be used elsewhere. Moreover, several hundred trains still in use are 30 or more years old. These trains lack the crash resistance of modern designs and incorporate slam doors which train operators regard as inconveis very encouraging. It is the first sign of the build up." driver-controlled electric

The cost of buying or leasing new trains may mean many older trains are refurbished rather than replaced But standardisation of design, changes in manufacturing methods and customer pressure have cut prices sharply.

Charles Batchelor

UK NEWS DIGEST

Peugeot faces strike threat

Workers at the Peugeot car factory at Ryton, near Coventry in the English Midlands, have voted heavily in favour of industrial action, including a strike, in a dispute over pay and conditions. Members of the Transport and General Workers' Union and the AEEU engineering workers' union at the French-owned company backed a strike by 1,721 votes to 363 and action short of a strike by 1,848 to 243. The unions said the company wanted unilaterally to change working hours to bring in longer shifts, earlier

starts and later finishing times. Peugeot said its two-year pay offer of 4.5 per cent this year and the rate of inflation plus 0.5 per cent next year would lift the average pay of production workers to more than £17,000 this year. Union officials will decide today whether to call a strike. Andrew Bolaet Editorial Comment, page 13

■ EU WORKERS' REPRESENTATION Dalgety creates employee forum

Dalgety, the pet food and agribusiness company, has become the first UK company to set up a European employee forum since the European Union works council directive came into force in September. The forum comprises representatives from 14 European countries. Representatives will also be invited to join from Poland, the Czech Republic and Hungary - also not covered by the directive. Dalgety agreed its British workforce - which comprises 6,000 of the group's 10,000 European employee should be represented on the works council even though the UK's opt-out from the Maastricht treaty's social chapter meant they did not have to be included Dalgety followed the example of the 38 UK-owned multinationals which voluntarily created European works councils before the September deadline - all of which also

allowed for representation of UK workers. The proportion of women with children aged under five who are economically active increased from 40 per cent to 54 per cent between 1986 and last year, according to official figures. The proportion of all women who were economically active increased from 68 per cent to 71 per cent, while the activity rate of men fell from 88 per cent to Andrew Bolger

■ CLONING

MPs warned over panic reaction

Parliament should not rush into a ban on human cloning research, the Human Fertilisation and Embryology Authority told MPs yesterday. The authority's members, staff and advisers were giving evidence at the start of an inquiry into cloning by the House of Commons science and technology committee after the birth of a cloned sheep at the Roslin Institute in Scotland.

Mrs Ruth Deech, the authority's chairman, warned against a "panic reaction" resulting in a ban on all research involving human clones. This could block the development of valuable new medical techniques, she said. Mrs Deech warned the MPs that people could circumvent UK legislation by travelling to other countries. We effectively are at the mercy of lower standards abroad," she said.

Clive Cookson Editorial Comment, page 13

■ TOURISM



European visitors up 12%

The number of European visitors to the UK rose by 12 per cent to 17.1m last year but those from the United States remained static at 3.7m. Tourists from the rest of the world rose by 4 per cent compared with 1995. In total, the UK attracted a record 26m overseas visitors - an 8 per cent increase on 1995. Ms Virginia Bottomley, chief national heritage minister, said that Britain's "trad and trendy" combination had made the country irresistible to visitors. Overseas tourists spent £12.7bn (\$20.7bn) - a 5 per cent rise on the previous year but the amount spent by UK visitors elsewhere also increased by 6 per cent to £16.7bn. This led to a widening of the trade deficit on the UK's tourism balance of payments from £3.6bn in 1995 to just under £4bn last year. Schehernande Daneshichu

■ NORTHERN IRELAND

'Loyalist' ceasefire doubts deepen

Fresh doubts about the ceasefire by anti-republican "loyalist" paramilitary groups in Northern Ireland emerged yesterday after a bomb left outside Sinn Féin offices in Monaghan in the Republic of Ireland on Monday was revealed to have contained commercial explosive of a type previously used by the Ulster Volunteer Force. Sinn Féin is the political wing of the Irish Republican Army and the UVF the military arm of the Progressive Unionist party. Police in the republic said the bomb contained 12kg of Power Gel 90 commercial explosive, but that only the detonator exploded. No one has admitted responsibility. Northern Ireland police yesterday seized guns and ammunition during searches in a "loyalist area" of Belfast, the capital.

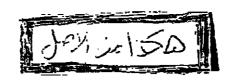
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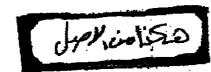
State bureaucracy goes electronic

Interactive government forms are to be used for the first time in the UK. By the summer, newly self-employed people will be able to register their status and arrange their National Insurance contributions by using a personal computer connected to the Internet. An electronic version of existing forms is being developed by software company Microsoft and computer services company Electronic Data Systems. The trial is designed to clear the way for electronic versions of more important forms such as income tax returns. Mr Roger Freeman, minister for public service, said: "These four projects will give a foreaste of the government's vision of a time when people will no longer have to queue to fill in paper forms or send cheques for government licences." Nicholas Denton

257,000 sign up in best quarter

Cable companies have just had their best quarter with 257.392 signing up for cable services in the final three months of 1996. A total of 2.58m UK homes are now connected to modern cable networks. In the quarter, the penetration rate - the proportion of those subscribing compared with those who could - reached 22.4 per cent, the highest level for four years, figures from the Independent Television Commission show.





Tire Dump California 5 October 1600 hrs

DUMP THEM, YOU BREAK THE LAW. RECYCLE IMPROPERLY, YOU BREAK THE LAW.
MEANWHILE, MORE TIRES JUST CAME IN.

Whether your company produces waste, tries to recycle it or depends on a steady supply of raw materials, your business is bound to be affected by environmental controls. There are thousands of regulations, both in the U.S. and overseas, designed to protect the environment. These environmental standards are in a constant state of flux, and can have far-reaching risk implications for all kinds of businesses.

More up la

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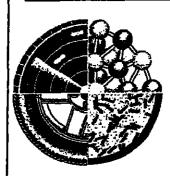
Fortunately, AIG specializes in designing the kind of custom coverages you need to cope successfully with changing conditions. In fact, AIG is the only world-

wide insurance and financial organization that helps manage your business risks with a broad range of customized services. Services like cleanup cost cap, hedging and market-making in commodities and stop-loss protection. And we've got the top financial ratings to back us up. So we'll be there to help keep your business rolling along.

WORLD LEADERS IN INSURANGE AND FINANCIAL SERVICES

TECHNOLOGY

Worth Watching · Vanessa Houlder



Marker vaccine for cattle

A "marker" vaccine that allows farmers to distinguish between infected and vaccinated cattle has been developed by Bayer. the German chemicals and pharmaceuticals group.

Cattle infected with the respiratory disease known as infections bovine rhinotracheitis (IBR) can pass on the disease for the rest of their lives, even though they appear healthy. The infected animals cannot usually be distinguished from vaccinated animals because they have the

same antibodies in their blood. The IBR marker vaccine, however, does not contain a particular protein which means that the antibodies in a vaccinated animal differ from those of infected animals.

Bayer believes that the vaccine will help lower trade barriers in the European cattle market. Bayer is also working on a marker vaccine against swine fever.

Bayer: Gerra any, tel 214301; fox 214308923.

Green source of haemoglobin

Pioneering research into the haemoglobin from plants could eventually lessen reliance on blood donations from human volunteers, according to a

report in today's Nature. Scientists at the Hôpital de Bicetre and the University of Cézeaux in France inserted genes for producing human haemoglobia into tobacco plants. The plants were able to produce the two different human proteins – alpha and beta-globins - that make up haemoglobin. The assembled proteins were able to bind oxygen and carbon monoxide. like the natural form of human

Transgenic plants could become an inexpensive source of uncontaminated blood, the

Hôpital de Bicètre: France, tel 46708989; fax 146706446.

Laser beams into hazard sites

A laser-based analysis technique developed by the nuclear industry makes it possible to examine materials and liquids in hazardous environments without needing to remove a sample.

The technique, which stemmed from research carried out at Swansea University, was developed by Magnox Electric, the nuclear power station operator, for remote metal sampling in nuclear reactors.

Previously, it was necessary to remove the control rods from

The technique involves ending a short laser pulse down an optical fibre. It blasts a microscopic amount of naterial from a metal surface, which then forms a light-emitting plasma. Light from the plasma is collected by a second fibre and returned for analysis by a computercontrolled sampling spectrometer, which measures

the trace elements in its mposition. Magnox Electric: UK, tel (0)1453 810451; fax (0)1453 812529

Single chip radio makes waves

An integrated circuit has been designed by Hitachi, the Japanese electronics company, and The Technology Partnership, a UK research and development organisation, that brings the cellular telephone industry's goal of putting a radio on to a single chip a step closer. A greater degree of integration will make it possible to make smaller, cheaper cellular telephones with lower power

In the cordless telephone market, California-based National Semiconductor has already designed a single-chip

The Technology Partnership: UK. tel (0)1763 262626; fox (0)1763

Heated arlo Rubbia is best known as a Nobel prizewinning elementary particle physicist. Recently, though, he has branched out from his normal subatomic domain, with its argument quarks and bosons, to drum up support across Europe for his energy amplifier". Rubbia, a former director of Cern (the European Organization

for Nuclear Research) who still

works from the Geneva-based

organisation, is touting the proj-

ect as a clean-burning, waste-

eating, energy producer - and a

cost-efficient alternative to con-

ventional uranium-burning reac-

community. Critics acknowledge

bility and improved safety, but

The amplifier, a cross between

a proton particle accelerator and

a fission-driven nuclear reactor.

is partly based on studies initi-

ated in the US and Canada in the

1950s. In a nutshell, it would

intensify and control nuclear

reactions in a convection-driven

contraption that is reminiscent of

an inverted earthbound intercon-tinental ballistic missile.

The main reactor would rest

30m underground in a silo 6m in

diameter. The core of the ampli-

fier is a heat-producing reaction

unit into which a beam of high

energy protons would be directed

from an external accelerator

called a cyclotron. This would

breed the metallic radioactive

element thorium into fissionable,

recyclable uranium 233, a ura-

times more abundant than natu-

ral uranium and at around \$50

(230) a kilogram only half the

The reaction unit would be sur-

rounded by molten lead for natu-

ral cooling and convection. The

heat generated from the reaction

would convect into the molten

lead, which would rise up to heat

exchangers. These would conduct

this thermal energy out to gener-

computer technique that

in the nuclear industry may soon

It uses computational fluid

programs to improve the design

of grafting new arteries to bypass

Blockages in human arteries

are a big cause of death and

help surgeons to prevent

dynamics (CFD) software

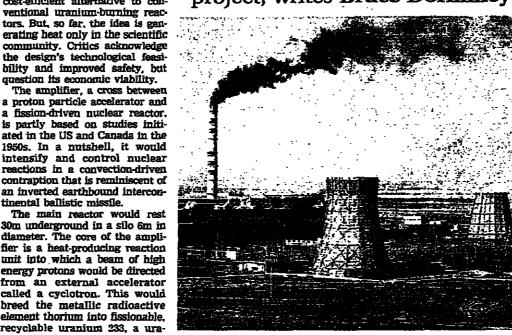
post-operative arterial

eased ones.

was originally developed to solve fluid flow problems

question its economic viability.

A Nobel prize winner is seeking backing for his 'energy amplifier' project, writes Bruce Dorminey



nium isotope used in conven-tional reactors. Thorium is three Burning question: Rubbie's project could replace coal-fired power stations

ate electricity. Rubbia contends the whole structure is safe because there are 30m of lead between the surface and the reaction unit.

The resulting waste would not only be significantly lower in radioactivity than in conventional reactors, but would eventually deteriorate to produce no

And while the amplifier would not create any plutonium byproducts, it could still burn plutonium waste from other reactors. Critical melt-down accidents could also be eliminated, says Rubbia, since the particle accel-

erator would control reactions. Cern has proved in tests that the amplifier could produce 30

expended, although some physicists still believe the figure would be closer to five. Even with a big net energy gain, though, some critics foresee economic problems if construction costs were to be naturally radioactive elements) 50 per cent more than those of a conventional reactor.

Rubbia counters such pessimism by pointing out that the amplifier's design would allow savings on construction and

"With natural uranium you are only burning 0.7 per cent," says Rubbia. "With our amplifier we burn it all because the fuel is recycled. It is burned once, rejuvenated and put back again and goes on forever until completely used up. What comes out are only fission fragments which are non-fissionable and non-proliferable. So our machine eats all its

own garbage." Rubbia has demonstrated the validity of the amplifier's physics. Now he would like to move on to a medium-sized prototype capable of producing 100MW of power, one tenth of a full scale machine. The prototype would cost Eculoom, a fifth the amount of a full industrial model, and could be built in three to four years. Construction on a full-scale model would take a couple of years longer. "We've met with the European Union's science and technology committee which set up a subcommittee to study this," says Rubbia. "They came up with a positive recommendation. We also had a good response from various MPs and experts at the French National Assembly.'

But funding is far from complete or even assured. Also, the amplifier and similar designs in development at Los Alamos National Laboratory in New Mexico are probably more viable as nuclear waste burners than economical energy producers.

"No one wants to get rid of trash unless they make some money out of it," says Rubbia. "In our case we are making trash destruction profitable. A little more radioactivity than coal ash. times as much energy as that machine can eat a kilogram of energy source.

plutonium per day."
Los Alamos is leading US research on accelerator-driven transmutation to convert plutonium and related actinides (or into manageable waste. The lab envisages being able to transmute hundreds of tons of plutonium in a few decades. And with more than 1,600 tons of plutonium in worldwide stockpiles interest in such transmutation has heated up. There is already an international steering commit tee to encourage development of

such clean-up technology. Rubbia still hopes his design will be used primarily for energy production instead of waste destruction. World coal consumption is expected to increase 60 per cent by the year 2020, according

The only way to convince developing countries to change is to produce something simple and cheap

to Rubbia, mainly because of big increases in coal use in China and India. The amplifier would provide a much more environmentally-friendly alternative to

burning coal, he says. "The only way to convince developing countries to change," says Rubbia "is if you producesomething sufficiently simple so they can use it and sufficiently: cheap so the cost is less than coal."

Yet Jim Ungrin, a retired director of the Accelerator Physics Division at Canada's Chalk River National Laboratories, says the amplifier's system may be economical in 50 years' time but is certainly not now. Also, he says, fissionable uranium remains too readily available for use in conventional reactors for countries to bother investing in an energy. amplifier as a primary nuclear

Nuclear technique runs in the blood

has been treated by grafting a bypass which improves the arterial blood flow.

This procedure is normally successful, but further blood clots may form, causing thrombosis, or there may be tissue over-growth leading to renewed plaque formation.

Researchers at North Carolina disability in the western world. State University believe they have pinpointed the cause of the For several decades the problem

problem - that the junction between the new and the old artery can be too sharp and too

Using CFD to simulate the flow of blood through the grafted joint, they have found that the sharp edges of the junction between the original artery and the bypass in a traditional graft cause flow disturbances. These

the intersection. Doubling the area of

cross-section at the graft/artery joint and smoothing the flow path will, they believe, result in much smoother flow and reduce to zero the troublesome "wall shear" throughout the critical joint area.

Most bypass operations of artery junctions, say researchers at the university, are performed

on an ad hoc basis and their success depends on the experience of the surgeon, the natient's individual anatomy and other factors - including luck.

With further research they hope to eliminate thrombosis and plaque formation by designing better graft-artery junctions.

Michael Sibley

can lead to plaque formation at The venom of a snake helped us formulate a life-saving drug. Hoechst.

In a number of civilizations, snakes have long been revered as a symbol of healing.

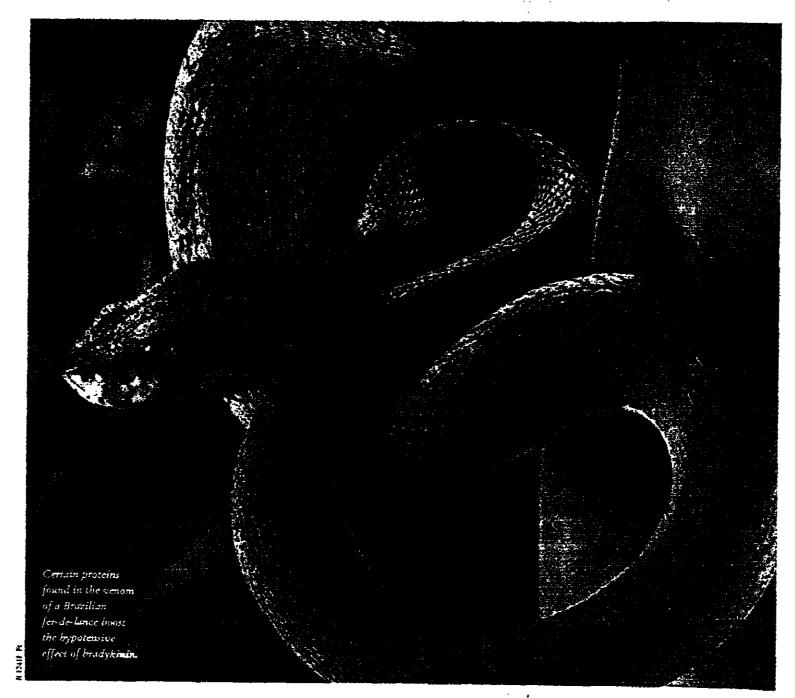
It was 90 years ago that scientists developed a better understanding of exactly how snake poisons act in the human body.

Protecting the heart and the cardiovascular system.

An example of research in this field is an active substance used to treat cardiovascular disorders.

The human body contains certain tissue hormones called kinins, which reduce blood pressure and open the blood vessels. Now it has been discovered that the blood-pressure-lowering and vasodilating action of the kinins can be boosted by proteins found in the venom of a Brazilian pit viper.

Scientists at Hoechst Marion Roussel, the pharmaceutical division of Hoechst, have used this discovery to synthetically produce these proteins and thus



develop a new life-saving drug. Research into cardiovascular disorders has always played an important role at Hoechst.

In 1904, Hoechst researchers were the first to synthesize the hormone adrenaline.

Other vital developments followed, including edema therapy and preparations to dissolve blood clots.

Today, Hoechst Marion Roussel offers one of the broadest lines of cardiovascular products.

Cardiovascular disease is still the No. 1 cause of death, which is why fighting this important problem is a matter so close to our hearts at Hoechst Marion Roussel.

Hoechst D-65926 Frankfurt am Main

Internet http://www.hoechst.com/

Hoechst 2

ARTS

Out of the fast lane

JERRY MAGUIRE Cameron Crowe

BLOOD AND WINE Bob Rafelson

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THE STARLEY

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Oliver Assayas

erry Moguire, a satiricalsentimental comedy starring Tom Cruise, begins in such high gear that it is like being ambushed by one of those surprise birthday parties beloved of Hollywood movies. Victim (in this case us) opens door, lights go up on revellers; victim either bursts into ostentations delight or, as in the recent Get Shorty, has a heart

For 20 minutes the mise en scène is heart-seizure manic. Writer-director Cameron Crowe made the deft and quiet comedies Say Anything and Singles. Here he seems to have swapped deft for "Are you deaf?" and subtlety - for swirly camerawork and jackhammer editing - yet there is real exhibaration in the film's

early confidence and attack. Sacked from his firm after circulating a "Smaller is better" pamphlet urging fewer, more caredfootballer (Cuba Gooding), and who have lost the keys to their one loyal co-worker (Renee Zell- souls. · · weger), a single mother whose wistful prettiness and goodheartedness have soon lured him

> (Kelly Preston). Yes, this is the one about the fast-lane hero who slows down.

away from his selfish flancee

large, a cutely precocious tot with wire-rim specs and a brain the size of a small atom bomb. And the path of true love will be strewn with crises, such as bankruptcy, bickerings and Miss Z's ealous live-in sister (Bonnie Hunt) with her divorced women's

But the biggest, subtextual crisis - one imrecognised by the film itself — is our old friend, male buddyism. All the liveliest scenes are those between Cruise and Gooding Hollywood's premier superbrat has improved his technique here: we enjoy the steep comic swings between executive stress and pantomime weltschmerz. But the only other person performing to his hyped-up level is his footballer protege, a squealing, gesticulating braggart hammed to glorious effect by Gooding, who acted Paul Hogan off the screen, you recall, in

Lightning Jack.
It seems only right that this passionate friendship climaxes in the closest that Hollywood can come to an all-male sex scene: a tête-à-tête in the frank nudity of a shower room. These two men are a match in idiot charm and the film catches a lift and lightness each time they are together. When they are not, it sags like an

ill-timed souffié. Hailed in America as a sophisticated, subversive human comedy, Jerry Maguire is really a high-decibel fanfare for the status quo. Women are either sweet things who will wait for their The plot is simple and caustic. man or bitter Medusas licking the wounds of separation. Athletes are lovable dimwits who need to be nannied. And agents for clients, sports agent Jarry the people, you remember, who (Cruise) finds himself left with run Hollywood – are, if you burone client, a semi-demented black row deep, simply sweet people

John McNaughton's Normal Life and Bob Rafelson's Blood And Wine are both about that well-known American institution, the criminal family. But as guns bark and thieves fall out at oppoas the film finally does, to find site ends of America, it becomes himself. You could fill in most of clear that Chicago is a more conthe itinerary yourself. Ms Zell- ducive place than Miami to devel- either drown in underdevelop- only option and once again it all authoress Miranda Richardson, Weird, wayward, but fun.



Male buddyism: Tom Cruise and Cuba Gooding in 'Jerry Maguire'

oping lucid theorems of human We know what happens in Florida: film-makers are seduced by exoticism. In Blood And Wine we must have scenes in boats, in seedy subtropical bars and in pastel-coloured mansions full of the drawling, inbred rich. We must also have - memories of Sydney Greenstreet - a barmy English crook in an off-white suit (Michael Caine), who will steal

Rafelson has called this the third film in a trilogy including Five Easy Pieces and The King Of Marvin Gardens. If so, it bears the same relation as Godfather 3 did to its precursors: an illscripted dynastic imbroglio about a son (Stephen Dorff) facing off with his (step)father, here played with familiar fly-boy devilry by

Nicholson.

Around the McGuffin of a stolen necklace the plot twists like a water-snake, while the characters

ment (Judy Davis as Mum) or goes well until she joins in ... keep re-surfacing to assert manic mannerisms. No character is

Thank goodness for Caine, who is at least funny, even if he seems to have stepped straight off the set of Dirty Rotten Scoundrels. In Normal Life too, events commute between tragedy and farce. But every minute is believable. The onetime director of Henry: the film from everyone including Portrait Of A Serial Killer makes his jewel-robbing co-star Jack movies that are like sequences of mug shots. McNaughton's camera is plonked down in the room and the character-detainees are

plot itself makes no logical sense.

little more is needed. Here hardworking policeman Luke Perry falls for mentally fragile beauty Ashley Judd and is soon coming home to a house in chaos. Empty beer and pill bottles; unpaid credit card bills; and a dog that gets its dinner before he does. Crime, he decides, is the

side. With a first-rate script (by

Peg Haller and Bob Schneider)

The matter-of-faciness is majesand Mary?

tic. We never need to know why believable, mainly because the the poor girl comes to her fatherin-law's funeral in hot pants and rollerskates, or why one bored day she carves welts on her breasts with a knife, or why she fatally fires her gun during a bank holdup. We just believe she would do these things because we sense - thanks to that forensic camera and to Judd's jittery. jaded, glowing truthfulness this woman's disappointment that life is never as hectic or engulfing as she needs it.

Swann is another murder shot from front, left side, right story, but Anglo-Canadian, So gentility reigns and the killing takes second place - or first place, before the story's commencement - to a delicate inquest into the human spirit. Was Mary Swann, the village girl murdered by her lover, a major poet? What do her haiku-like rendered by surviving friend Brenda Fricker to investigating tell us about life, death, literature

Carol Shields, is so tippy-toed that it might be a Henry James story dramatised by Ivy Compton Burnett. Violent events happen offscreen or in flashback: the present is all conversations, gnomic landscape shots and the subtle gestural semiology of a dawning friendship. To hesitate between a kiss and a handshake, then nervously to do both, neatly defines Fricker and Richardson's dance of affection and distrust. And audience patience is rewarded by the slow but shrewd working out of a fable about the letter versus the spirit, both in art and human communication. hma Vep is a mad French film about mad French film-makers. Remaking a classic silent serial

in modern Paris is never easy when you have a Hong Kong leading actress (Maggie Cheung), scraps of verse, cautiously sur- a roaming cat burglar and Truffaut's Jean-Pierre Léaud having a breakdown as the director.

Opera Schaaf's 'Aida' booed

scandal! I'd almost forgotten the word, until I heard a wall of boos erupting at the interval curtain of Aida at the Zurich Opera Honse on Saturday. Operatic scandals have become few and far between. In Paris, give or take the occasional strike, prudence is the order of the day. In post-unification, post-Berghaus Germany, scandals are

an unaffordable luxury. But a producer like Johannes Schaaf would lose face in the German theatre world if he didn't make the occasional avant-gardist gesture. And so he and his designer, Reinhard von der Thannen, hit upon the idea of Aida as contemporary drama. in a stylised Egypt where terror ists set fire to buses in the shadow of the pyramids. The king was a comic demagogue in epaulettes and fez, the priests indulged in pseudo-Islamic rit-ual, and Radames wore white military uniform. While the serious business of war was discussed, off-duty officers whooped it up with champagne. Snaphappy tourists were herded around the triumphal scene, and the ballet was a funky, frisky take-off of parade-ground drill.

n a programme article laden with the hang-ups about war that so many German . intellectuals of his generation carry around with them, Schaaf said *Aida* was an opera about state ideology, encapsulating Verdi's "eerie vision of the Germanisation of Europe". The Germanisation of Aida would be a better way of describing this charade, which blunted the human situations and emotions so sharply drawn by Verdi. Schaaf's comic-ironic observations would barely pass muster in a boulevard revue. Only in the final duet, brilliantly concentrated in a pool of light, did he allow Verdi to speak for himself. Nikolaus Harnoncourt, con-

ducting his first Verdi opera, must share the blame for the production's wrong-headedness. Moments of illumination - the veiled stillness of the opening and closing pages, the crackle of neris duet – were few and far between; there was too much stiff phrasing and not enough Verdian legato, a common fault of Germanic conductors in Italian opera. I respect Harnoncourt for his open-minded, questing musicianship, but he must surely realise that Verdi is not Monteverdi. If he wants to expand his repertoire, he would be better off investigating one of the early Romantic Italians.

Musically, the performance was carried by Vincenzo La Scola and Daniela Dessi. La Scola may not have the romantic looks for Radames, but his voice is filling out well, and he used it with taste, if not a great deal of refinement. Dessi, blacked up like an Ethiopian model, looked very exotic; she has the vocal equipment for Aida, but there is a touch of coldness which hampers all her performances. Matti Salminen made a bear-like High Priest, Marjana Lipovsek an un-Italianate Amneris, while Giorgio Zancanaro's Amonasto was a shadow of his former self. On the brighter side, László Polgár's crisply sung King was more than just a curiosity. A pity the same could not be said of the whole

Andrew Clark

Theatre/Sarah Hemming Tou enter the auditorium for Romance Romance to be greeted by a huge

image, centre-stage, of what looks like the lid of a chocolate box: pink profiles on a purple background gaze adoringly at one another. But the show that follows is far more bitter-sweet. Romance Romance is a double-bill of mini-musicals, both dealing

with the fragility of love and the independently they might precariousness of relationships. nter a more genuine lover by taking on a different, less Separately, they would not amount to much; welded wealthy persona. So, disguised as together, they offer a witty, if a poet and a shopgirl, they set cynical, reflection on the games out for adventure and meet each other. There follows a whirlpeople play in the name of wind romance, neither aware of Written by Barry Harman (book and lyrics) and Keith being deceived as well as deceiving. Harman's stage version bats Herrmann (music), the show was action back and forth first staged in New York in 1988 between the characters and his where it was nominated for five lyrics are sprinkled with tart Tony awards. It finally surfaced little witticisms; Herrmann's in the West End on Tuesday equally playful score is driven by has at the shorest to a successful

showcase at the enterprising little Bridewell Theatre last year. Both parts of the evening Steven Dexter's direction is are based originally on short stoenormously sympathetic to the ries from the turn of the century mood of the piece: nimble, clever and funny, and Caroline O'Conner and Mark Adams are (Die Kleine Komodie by Arthur Schnitzler and Le Poin de thoroughly enjoyable as the cou-Menage by Jules Renard) and

Witty games of romance they complement each other ple. O'Connor brings a brittle duction, O'Connor and Adams perfectly.

Quality to her character that suggests desperation, while Adams Act one is set in turn-of-thehas marvellous control, his snave century Vienna. Here Alfred and Josefine, rich and jaded, decide command giving way to reveal a more vulnerable side. If there is a doubt about the show, it is that, in this half at least, it looks a

little overstretched. o such problem exists with the second act and here O'Connor and Adams are tremendous. This could, in fact, have been the weaker half, since the story itself is so slight: it simply concerns a couple of friends who, on holiday together with their respective spouses, stay up too late one night and fiirt a little waltzes and polkas and abounds with musical references to the too seriously for comfort. But Herrmann and Harman have cannily updated the original to 1990s New York, which lends a twist to the story and emphasises the evening's message: that human

draw you into the dilemma of the characters with great persuasion. They tease each other, they protest their devotion to their spouses; they gradually drop their guard, while their sleeping partners urge caution from the sidelines (strong support from Linzi Hateley and Michael Can-

This, of course, is pure Sondheim territory, and there are times when both the restless, barbed score and sardonic, rat-a-tat lyrics put you in mind of Company. Occasionally, the piece is swamped by schmaltz, but for the most part there is an acerbic quality to music, words and performances that keeps the evening afloat. So when it ends, with all the characters urging you to "cherish your romantic notions", you are not too inclined to heed

Gielgud Theatre, London W1 (0171-494 5065).



Bitter-sweet: Michael Cantwell and Linzi Hateley

INTERNATIONAL

AMSTERDAM

CONCERT Concertgeboury, Tel: 31-20-6718345 Schönberg Ensemble: with planist Joanna McGregor and conductor Reinbert de Leeuw, soprano Rosemary Hardy perform works by Birtwistle, Zemilinsky, Knussen and Szymanowski; Mar

V EXHIBITION Stederm Stedelijk Museum Tel: 31-20-5732911 Markus Lüpertz: a large retrospective of the work of the German peinter Markus Lüpertz. Among the works on display is "Golgatha" (1983), a major piece recently added to the museum's collection: to Mar 31

> BASEL EXHIBITION: Kunstinlie Basel Tel:

concerns are with the human body, which he approaches by constructing figures from straw, animal skins, branches and wax; from Mar 9 to Apr 27

BERLIN FESTIVAL :

Musik-Biennale Berlin Tek 49-30-254890 Musik-Biennale Berlin: a series of concerts promoting new music. Highlights include performances by the Ensemble Modern, the Deutsches Symphonie-Orchester, the Bertiner Skrifonie-Orchester and the Ensemble L'Art Pour L'Art: from Mar 7 to Mar 16

Staatsoper Unter den Linden Tel: 49-30-20354438 . Lutur by Berg. Conducted by Michael Gielen, performed by the Staatsoper Unter den Linden. Soloists include Laure Aikin, Rosemarie Lang and Dagmar Pecková: Mar 9

COLOGNE

JAZZ & BLUES. Kölner Philhermonie Tel: 49-221-2040820 Acker Bilic the clarinetist performs jazz music. The programme also includes a performance by trumpeter Kenny Andt Mar 8

DUSSELDORF ECHIBITION

exhibition of 150 glass objects showing the influence of 1960s American design on the work of the 1980s; to Apr 6

In Dexter's perfectly paced pro-

nature changes very little.

■ GENOA

OPERA Teatro Carlo Felice Tel: 39-10-589329 Carmen: by Bizet, With conductor Alexander Lazarev, performed by the Teatro Carlo Felice. Soloists include Graciela Araya, David Rendall and Giorgio Surjan; Mar 7, 8, 9

HAMBURG EXHIBITION Museum für Kunst und

Gewerbe Tel: 49-40-24862732 Haiku and Haiga: display of 130 works taken from Blustrated Japanese Haiku poetry books. The exhibition focuses in particular on Taketa Socho. author and Blustrator of more than 30 Heiku books during the 17th and 18th centuries; from Mar 7 to

LISBON

CONCERT Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131 Esther Georgie: performance by the clarinetist, accompanied by pianist Nigel Clayton. The programme includes works by sager, Saint-Saens and Castelnuovo-Tedesco; Mar 10

Royal Festival Hall Tel: 44-171-9604242 City of Birmingham Symphony Orchestra and Electric Phoenic with conductor Sir Simon Rattle and ceilist Lynn Harreli perform works by Berio, Lutoslawski and

Messiaen; Mar 9

EXHIBITION National Portrait Gallery Tel: 44-171-3060055 August Sander: major retrospective exhibition of the

work of the German photographer. In a series of uncompromisingly direct photographs, Sander recorded rural and urban society in Germany both before and after the first world war. The 200 photographs on display, drawn from Sander's own collection, includes many previously unseen

images; to Jun 8

Royal Opera House - Covent Garden Tel: 44-171-2129234 Cosi fan Tutte: by Mozart. Conducted by Dietfried Bernet, performed by the Royal Opera. Soloists include Soile Isokoski and Helene Scheiderman; Mar 8,

MADRID

EXHIBITION Ex-MEAC - Museo Español de Arte Contemporaneo Tel: 34-1-5492453 Artistas Pintados. Retratos de

Pintores y Escultores del Siglo

the museum's own collection. Artists featured include Madrazo, Esquivel and Sorolla; to Apr 20 Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062 Vija Celmins: exhibition featuring paintings and drawings by the Latvian-born painter whose work began in the 1960s with a series of images of household objects painted with absolute objectivity. Also on display is a rare sculptural work, made up of copies of a set of stones collected from the New Mexican desert. The exhibition was

previously shown at the institute

of Contemporary Arts in London;

MILAN

to Mar 23

OPERA Teatro alla Scala di Milano Tel: 39-2-88791

 Wozzeck: by Berg. Conducted by Gluseppe Sinopoli, performed by the Orchestra e Coro del Teatro alla Scala. Soloists include Catherine Malfitano, Kim Begley, Franz Grundheber and Michael Howard; Mar 8, 9

■ NEW YORK

CONCERT Alice Tully Hall Tel: 1-212-875-5050 Piano Trios: the pianists Eric Reed, Jacky Terrasson, Benny Green, Stephen Scott, Renee Rosnes and Danilo Perez perform jazz piano trios; Mar 7, 8 Avery Fisher Hall Tel:

the New York Philharmonic. Soloists include soprano Kallen Esperian, mezzo-soprano Markella Hatziano and tenor Ben Heppner,

PARIS CONCERT

Théâtre de l'Opéra Comique Tel: 33-1 42 44 45 46 La Grande Ecurie et la Chambre du Roy: with conductor Jean-Claude Malgoire and tenor Derek Lee Ragin perform works by Haydn and Mozart; Mar 10

L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99

 Carmen: by Bizet. Conducted by Gary Bertini, performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Franck Ferrari and LeRoy Villanueva; Mar 10

WASHINGTON

OPERA Opera House Tel: 1-202-416-4600 Elektra: by R. Strauss. Conducted by Heinz Fricke, performed by the Washington Opera. Soloists include soprano Eva Marton, mezzo-soprano Ruthild Engert, soprano Karen Huffstodt, baritone Richard Paul Fink and bass James King: Mar 9

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CNBC: 08.30

Squawk Box 10.00

European Money Wheel

18.00 Financial Times Business Tonight



Peter Martin

limited success of interna-

tional expansion projects

soberly executed by well-

cosmetics company, still

gets less than 10 per cent of

its revenues from overseas,

despite decades of dogged

attempts at expansion

abroad. Kao, the Unilever of

Japan, bought Andrew Jer-

gens in the US and Goldwell

in Germany in the late

1980s. Both companies -

which make personal care

products such as skin

creams and shampoos -

Shiseido, Japan's leading

managed companies.

Weak link in the chain

Distribution difficulties have meant that Japan's successes in the west's car and consumer electronics markets have not been equalled in other industries

yesterday's threat. It is that of the US. already hard to remember why we were so worked up about the Cuban missile crisis, so frightened of herpes, economy made during the the oil embargo or Mexican

killer bees. As on the front page of Then, powered by extraordinarily cheap capital, Japathe tabloids, so in the sober nese companies in a range columns of the business press. Who now frets that of industries rushed into overseas deals founded on Japanese consumer prodno real business logic. Troucts companies will do to phy acquisitions of banks, Heineken, Procter & Gamble or Merck what Toyota, movie studios or property were probably doomed from Honda and Sony have done the outset, and it is not surto American Motors, BSA prising they have come painfully unstuck.

Yet little more than a decade ago the fear of a Japanese invasion was widely shared. Big companies like Kao in household goods. Nomura in the securities industry and Suntory in drinks were seen as the logical successors to Nissan and Matsushita as aggressors in

Today, that fear seems laughable. The threat that Japanese competitors would sweep across a wide range of western markets has faded. The automotive and consumer electronics busiresses, once seen as merely the vanguard of the Japanese invasion, now look increasingly like exceptions - two areas of special competence which other Japanese industries cannot hope to rival in global impact.

A symbolic event, for this line of reasoning, was the recent announcement that Green Cross, the Japanese blood-products company. was to surrender its identity in a hasty merger with a local rival. The deal was, in effect, a rescue of Green Cross after its involvement in Japan's version of the Aids-contaminated blood scandal.

Readers with longer memorles will remember Green Cross as one of a clutch of Japanese pharmaceuticals companies that were headed for world domination. By 2000, wrote one enthusiastic

Japan could have a pharma- have consistently lost shelf space" in the heads of inant suppliers usually try money under their new ceuticals industry as big as owner. Though Kao is optimistic about their future What has gone wrong? One obvious answer is the profitability, rivals view giant error the Japanese them as little threat.

Each individual industry and company is different. "bubble years" of the 1980s. Perhaps Kao could have made different acquisitions. Perhaps Japan's pharmaceutical companies are quietly building the international scientific base and regulatory approvals which will win them a global presence in the years ahead. Perhaps their relatively stronger position in fast-growing south-east Asian markets But this is only part of the will give Jananese consumer story. More interesting than these obvious failures is the products companies the last

Perhaps. But the barrier to future success is the same as the underlying explanation for past failures. It can be summed up in one word: distribution. It is their experiences with the distribution chain which explains why Japanese comnanies' international expansion has worked in cars and consumer electronics but proved much less successful

in other areas. Outsiders never find it easy to break into established patterns of business. to acquire enough "mental



wholesalers, retailers and consumers to build sales to levels that offer economies of scale. Japanese companies have a special difficulty here: Japan's idiosyncratic methods of getting products from manufacturer to consumer offer little experience relevant to the rest of the world.

In the case of cars and consumer electronics, however, there were structural reasons why western distribution systems allowed an outsider to muscle in. In the car industry, the tradition of exclusive vertical distribution meant any producer had to build its own network of dealers and distributors. This was a formidable barrier to entry, but overcoming it required merely money and hard work. Once Japanese car companies had built their own distribution networks, they could run them as they chose, without having to tangle with the rest of the industry.

In fact, the car industry system of exclusive franchises confers an unexpected benefit on newcomers from a different background. Because setting up a network of distributors and dealers is so expensive. it usually requires partnership with local entrepreneurs. When this has worked it has produced the ideal combination of local knowledge and Japanese thoroughness.

In consumer electronics, the distribution story has been different but no less helpful to Japanese newcomers. The industry was, in its early years at least, driven by technology rather than marketing, offering innovative outsiders such as Sony and Matsushita an advantage that offset any

distribution weaknesses. In addition, the rapidly falling price of electronic gadgets led to a shift from specialist small-scale shops to cut-price "box-shifters". In such circumstances, dom- Cross – and killer bees.

to freeze out the aggressive discounters to protect their existing distribution channels. This makes the new retallers the natural allies of less established suppliers, such as the Japanese electronics giants.

Other industries in which Japanese companies have attempted to make inroads show a different pattern of distribution. Typically, they have well-established, shared distribution systems, with strong distributors and retailers. In healthcare, for example, there are usually national pharmaceuticals wholesalers which play a crucial gate-keeping role; in household products there are powerful supermarket chains; in cosmetics there are department stores and specialist retailers.

Though Japanese compa nies in these areas usually have technology which is up to world standards, they are rarely able to demonstrate a decisive technical superiority. Labour is no longer cheap in Japan and the ven is no longer undervalued, so these two advantages which helped early Japanese exporters to push their way into hostile markets are no

This lack of a clear comparative advantage has increased the importance of skilful handling of overseas distribution channels. It is here that many Japanese companies have yet to dem-

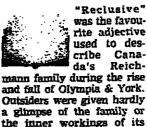
onstrate real success. This does not mean that Japanese companies are not flerce, competent rivals across a wide range of industries. But they will win, and lose, their competitive struggles on their own merits - not on the back of some inherent national invincibility.

Today, that may seem obvious, but it was certainly not so clear a decade ago. So the next time the business world is seized by a generalised fear, remember Green

BOOK REVIEW · Bernard Storon

THE REICHMANNS: Family, Faith, Fortune and the Empire of Olympia & York, By Anthony Bianco

A family steeped in moral ambiguities



and fall of Olympia & York. Outsiders were given hardly a glimpse of the family or the inner workings of its business as Paul Reichmann's ambition built O&Y into the world's biggest property developer, then sent it crashing into bankruptcy five years ago. This meticulously researched book by journalist Anthony Bianco peels away many of the veils and reveals a family with remarkable talents and frailties.

Samuel Reichmann father of six children, including Paul - laid the foundations for O&Y more than 70 years ago in Hungary and Vienna. He made a small for-tune distributing eggs throughout Europe after the Bolshevik revolution cut off supplies from Russia. He had the foresight,

money and contacts to stay one step ahead of the Nazis - moving his wife and family first to Paris then, via Spain, to the free port of Tangier. The family spent 16 years in Morocco, where Samuel added to his wealth as a currency dealer and private banker. His wife Renée spent the war organising care packages for concentration camp inmates and working to obtain exit visas for Orthodox Jews in Hungary.

The book questions whether Samuel Reichmann the banker lived up to the high moral standards of Orthodox Jew. His clients Jew blacklisted for trafficking with the Nazis. Accord-

"Reclusive" transaction hardly qualified 30 per cent of O&Y's profits as a higher calling".

In the mid-1950s the Reichmanns moved to Canada, which they found more tranquil and tolerant than the US. Two of Samuel's sons, Edward and Louis, settled in Montreal. Edward ran a construction business, but suffered the humiliation of being bailed out by his three Toronto-based brothers.

Spearheaded by Paul, O&Y made one daring move after another. By the late 1980s, it was the biggest landlord in New York. It was steaming ahead with the giant Canary Wharf development in London's Docklands, planning another enormous project in Tokyo, and bidding for the Sears Tower in Chicago, the world's tallest skyscraper.

The Reichmanns also spent \$10bn on diversification. They bought Abitibi-Price, the world's biggest newsprint producer: acquired a stake in Allied-Lyons, the UK food and drinks group; and supported fellow-Canadian Robert Campeau in his disastrous takeover of two of the US's biggest department store chains. By 1992, O&Y had amassed debts of \$20bn.

But Paul, even more than his father, encapsulated the moral ambiguities that come from combining business ambition with strict religious observance. His first job after completing rabbinical studies at Gateshead. England, was as (unpaid) education director of a network of Orthodox schools in

Morocco. Bianco has dug up countless vignettes of the family's Samuel Reichmann the strict observance and its support for ultraincluded Albert Grebler, a Orthodox causes. A deal to buy Pilkington's tile business in Montreal in the early ing to Bianco, "changing a 1960s was made conditional smuggler's bankroll and arr- on a rabbinical dispensation anging surreptitious capital allowing continuous operatransfers at 10 per cent per tion of the kiln. And almost UK). Free p&p in UK

were channelled into religious and charitable causes, However, the Reichmanns' background, according to Bianco, "also bred an insularity that left large, fateful gaps in their knowledge, judement and canabilities He once dismissed an adviser's suggestion that he take

MODELLA TO

with the retort that "my religion won't let me go to Las Vegas. This is my Las During O&Y's dying days. Paul infuriated creditors and his own senior managers. with slippery negotiating

tactics and unkept promises. Bianco's judgment is that Reichmann's conduct uitt. mately "fell well short of the standard of ethical irreproachability to which he had aspired as a young merchant". Reichmann - who gave Bianco 25 hours of :: interviews - acknowledged after O&Y's downfall: "The fact that I had never been wrong created character flaws that caused me to

make mistakes." The family has recently begun a comeback. Paul was part of a consortium that regained control of Canary Wharf last year. The next generation of Reichmanns has emerged as sizcable property developers and managers in Toronto.

But other victims of O&Y's collarse have fared less well. The precipitous end of their charity was the greatest aspect of the Reichmann tragedy," observed one Jewish leader. "Even with the failure of the business, they would still be the most important people in Jewish life today if they'd only set up a foundation."

The Reichmanns is available from FT Bookshop by ringing FreeCall 0500 500 635 (UK) or .. +44 181 324 5511 (autside the

investment for the future.



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·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SEI 9HL

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Albanian crisis invites imaginative response

From Mr D. M. Horrison. Sir, In your article on the crisis in Albania ("Curse of the Pyramids", March 4), Kevin Done reports that more than \$1kn has been invested in pyramid schemes, and that their collapse has led to losses running so far into hundreds of

millions of dollars. These are, no doubt, huge amounts by Albanian standards: more than a third of its gross domestic product, which could have been better used laying the foundation of a market economy, appears potentially at risk. And yet they are not enormous amounts by international standards. Might this not be a case where a judicious, precisely targeted financial rescue package to make good losses incurred through fraud could do good, and perhaps restore some faith in Albania in the capitalist system?

No doubt political conditions would need to be attached, but an early, well designed scheme to restore confidence could be the starting point, with someone passing the hat round those of the world's public and private financial institutions with an interest in building markets and maintaining stability in this part of the world. A job perhaps for the Soros Foundation?

The response of the west to the collapse of commu-

nism has not so far shown scintillating imagination. Might not a quick burst of preventive economic diplo-

Little Thatch. Westcott, Talaton, East Devon EX5 2RN, UK

macy here stop a bad situation getting worse? David Harrison,

From Mr Kevin d'Arcy. Sir, I wonder what life would be like in Albania if the government had been offered help in educating its media and its public in the

norms of financial markets? The continuing introduction of free markets to devel-

oping democracies by gov-

world, without offering a suitable mechanism for the public to make use of them, never ceases to amaze.

Meanwhile: ignorance. confusion, misery, disaster, chaos. It was interesting to note that Albania passed a law against deposit-taking by non-bank institutions such as pyramid schemes even before the UK banned such schemes. However, laws (especially unknown ones) are ignored there, while such laws are largely redundant here, in the face of a far more effective media.

Kevin d'Arcy, 20 Cardigan Road London E3 5HU, UK

Income inequality must not get wider

From Mr Walter Starmers. Sir, Commenting on the rapidly widening inequality of incomes in the leading nations, Robert Reich ("The menace to prosperity". March 3) asked: "Are we, or are we not, still in this together?" Samuel Brittan ("New role models for old", February 27) seems to

He applauds the Netherlands for holding down wages and cutting benefits. The league table he gives illustrates the effect very well. Between 1991 and 1996. UK aggregate incomes (gross domestic product) grew by about 11 per cent. Employment and wages both went

down, giving a reduction in aggregate wages of 2 per

So, although this does not appear in the table, an extra 13 per cent of GDP was allocated to non-wage incomes in the space of five

Taking a rough figure for the split between aggregate wages and aggregate nonimply a rise in the latter of around 50 per cent. For the other countries in the table, including Germany - currently criticised for not holding wages down enough the same calculation shows that all four increased nonwage incomes by around 20

to 25 per cent in this five-

year period. Surely Reich is right to look on this trend with apprehension. Purely on grounds of prudence, let alone morality and economics, it cannot be extrapolated indefinitely.

I believe he is also right to reject the inevitability of free-market mechanisms. As he says, it is a matter of "the choices which a nation

Walter Stanners, 49b Fen End, Over. CB4 5NE

Ownership is a troublesome umbrella term

From Mr Andrew Cecil. Sir, John Kay ("Test of Possession", February 28) seems to misunderstand the different notions of possession. By comparing possession of an umbrella with possession of a British Telecommunications share and of BT itself, he fails to draw the reader's attention to the fact that there are varying degrees of

In the case of the umbrella and the BT share, ownership is absolute and therefore fits

neatly into the definition developed by Honoré. This should be distinguished from

ownership of BT itself. The shareholder's ownership of BT itself is only partial, and is dependant on the nature and size of his shareholding. However, if Mr Kay where to hold 100 per cent of BT shares, having absolute

control as in the example of the umbrella, not only would he be a very rich man but he would also be free to exercise Honore's criteria of

ownership with BT itself, as well as with his shares. All that his article demonstrates is that shareholding is a corporate form of separation of absolute ownership and as a result of the shareholder structure of BT, we can conclude that no single

Andrew Cecil, Rue d'Alsace Lorraine 84. 1050 Brussels,

person has absolute

ownership of BT.

Straight talk

From Mr Lee Mun Tuck. Sir, Coca-Cola's legendary contour bottle came about as much by design as it did by accident. Although, as Richard Tomkins writes ("Coke tries a curvy can", March 3), the bottle's shape may have (mistakenly) taken its cue from the fluted contours of the unrelated cocoa bean pod, its source was an inspired in-house design brief from about 1910: thiscalled for a bottle that could be recognised even in the dark. If only product design briefs today were as imaginative and succinct.

Lee Man Tack. 151 Gloucester Avenue, London NW1 8LA, UK

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North Annual Control

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The platform

From Mr Bryan Cassidy MEP.

Sir, In your editorial "Age of the new trains" (February 25), you refer to the need for the various companies providing UK passenger services to work together on such things as timetabling. Has the time come to reinvent Bradshaw?

Bryan Cassidy MEP, European Parliament. 97-113 Rue Belliard, 1040 Brussels, Belgium

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Rough ride for Renault

Mr Louis Schweitzer, chairman Mr Louis Schweitzer, chairman Subsidies such as that appar-of Renault, the loss-making ently being offered by Britzin to French carmaker, must stick to Ford's Halewood plant are no his guns in trying to restructure answer. They have distorted the the group. The decision to close industry for too long by keeping Renault's Belgian factory with the loss of 3,100 jobs has pro- gium wants to improve its manvoked an understandable reaction from the plant's workers advised to reduce labour costs and the Belgian government.

But the task of cutting excess capacity from the Suropean car EU's highest, industry is urgent, and Ren- A reminder of how serious is ault's move will not be the last. The Belgian government will makers came yesterday with only make matters worse if it GM's announcement of expanpursues its European legal action against the French company or offers aid to keep open developing much faster than

FFr5bn last year, is perhaps five Poland, Fiat, GM, and South years behind some rivals, nota-bly Germany's Volkswagen, in cutting costs. Under pressure from Japanese rivals, Europe's cars a year by 2000. While outcar companies have greatly improved quality and efficiency. But there is further to go.

The EU's manufacturing capacity still stands some 20 per cent above annual demand of about 12.5m cars. Until last While these will rise rapidly year, Renault was shielded from ity French state ownership. But some cost advantages for years that stake is now down to 47 per to come. Companies with little cent, and private control brings or no eastern European producpressure to perform: Peugeot- tion - including Renault - will Citroen, Renault's private com- be under even greater pressure petitor, has been consistently profitable, with a similar spread Europe and in the EU. Mr of manufacturing locations.

open inefficient factories. If Belufacturing it would be better by cutting employers' social security payments, among the

the challenge faced by EU carsion plans for Eastern Europe. The region's motor industry is was thought possible even three Renault, which lost about years ago. For example, in Korea's Daewoo, the three leading foreign investors, together plan to produce at least 600,000 put will mainly be aimed at local markets, exports will also

play a growing role. Eastern European plants benefit from wage costs which are 15 per cent of those in the west. with prosperity, the region's producers can expect to retain both in their exports to eastern

Pensions debate

the pre-electoral dialogue in schemes. On retirement, the Britain is sterile, the Tories now state would make up any shorthave a robust response. At a fall against the level of the basic stroke. Mr Peter Lilley, the pension arising from poor social security secretary, has investment performance. This debate in an unexpectedly radi- anteed minimum retirement cal direction. By abandoning income with a genuine stake in incrementalism in favour of the national prosperity. wholesale privatisation of state pension provision be has implicitly acknowledged that present policy is politically unsustainable. While the new radicalism may not be a vote winner, it is cetter than continuing to erode state pensions to the point where they offer hopelessly nadequate retirement incomes.

The starting point for any ensions reform must be that here is little scope politically I (S) () () (or raising taxes, and this preion before 1979. The fiscal burien of an ageing population has seen reduced by the governnent's paring down of pension problem is unlikely to be esolved without further reli-

ince on private provision. In effect, Mr Lilley's solution as been to borrow and refine he stakeholder pension propos-us of Mr Frank Field, chairman of the social security select comnittee. He proposes that new entrants into the workforce should receive rebates on their ily invested in private sector worth having.

For those who complain that money purchase pension shifted the terms of the welfare combines the cushion of a guar-

> The difficulty of such a scheme for the public finances is that the rebates reduce the money going into the national insurance fund. Mr Lilley has cleverly addressed much of the problem by proposing to switch from granting tax relief on pension contributions to giving relief on actual pensions. This change in timing delivers a

huge ene off cash flow benefit. The snag in terms of provision is that the guaranteed minimum would be so low, after the changes since 1979, as to make the safety net safe only for ascetics. For the unemployed, there appears to be inadrepellts. But there remains a equate assistance. Judgement potential crisis of need. The on the operations of the money purchase schemes must await

further details. Yet the scheme is moving in the same broad direction as Labour policy, holding out hope of a hi-partisan approach. The difficulty for Labour is that bigger compulsory contributions would be needed to make it palstable, which brings the debate back to taxing and spending. national insurance contribu- But there is, at last, a real ions which would be compulso- debate on pensions. That is well

Baaad baaan

free in politicians into a penic all place (there is some legal doubt yer the world Many alarmed shout whether the 1990 Human hat Dolly's cloning from an Fertilisation and Embryology idult sheep could lead quickly o human clones - are calling or an outright ban on research nto human cloning. On Tueslay President Clinton said no ederal funds could be used for experiments in this field and he arged US scientists to observe a

> comeland has been more muted han elsewhere to Surope, let lione in north America. Few UK he issue, and yesterday the unlikely to be rejected. This Commons Science Committee would require the creation of started an admirably low-key nquiry into cloning. The MPs. nade no inflammatory comnuman clones: instead, they ect may sound like science ficconcentrated on questioning numbers and staff of the Human Fertilisation and Embryology Authority about imending the law, so as to pre- for improving human health, vent abuses while permitting. If some research into human research that could lead to valu-

able new medical techniques. UK: that hasty action to bun, human cloning is unnecessary because there is no prospect of

Dolly, the Scottish lamb, has duce cloned people do not take Act covers cloning from adult cells) but cloning research should be permitted under rig-orous regulatory scrutiny.

There are several reasons why scientists might want to carry out such research, without dreaming of cloning a whole human being. An obvious one is norstorium. Iniman being An obvious one is The public reaction in Dolly's to provide a new source of transplant tissues and organs, from skin to kidneys, that would be genetically identical to coliticians have spoken out on the recipient and therefore embryonic cloned cells, which would be induced to develop into specific tissues rather than nents about the dangers of a complete feetus. Such a projtion - and it would certainly take many years to achieve but it is a legitimate field of research, with great potential

If some research into human cloning is to be permitted, then it makes no sense to withhold A sensible consensus seems to government funding from the be emerging among legislators, field. The US experience with regulators and acientists in the embryo research, which federal agencies do not fund for political rescons, shows that such a policy is counterproductive. The anyone doing any in the near work takes place in private lab-future. Existing legislation oratories and the government should be reviewed to make loses both influence and know-sure that experiments to pro-ledge of what is going on. work takes place in private lab-

State retirement plan

The government's plans to privatise pensions avoid many of the risks involved in such a switch, write Edward Whitehouse and Martin Wolf

n proposing the privatisation of the basic state pension, the government has broken a taboo. It is now possible to imagine almost complete withdrawal of the British state from direct provision of pensions - if only after a transition lasting many decades.

The proposals are radical and are certain to be controversial. But they are also unquestionably clever. The Conservative government may, as the polls suggest, he crushed in the forthcoming general election. But these ideas need not perish. Repackaged they could even appeal to a New Labour successor

Nor is the significance of these proposals necessarily limited to the UK. When the British government initiated privatisation of nationalised industries in the early 1980s, it changed the political climate throughout the world. It is at least conceivable that these ideas will, in time, have equally radical effects. The new scheme would apply

only to younger workers. They and their employers would pay national insurance contributions at the same level as now. At the end of each fiscal year, however, the Contributions Agency which collects national insurance for the Department of Social Security would pay a rebate into a nominated pension fund. This rebate would be a flat-rate £9 a week, plus 5 per cent of earnings between the national insurance limits of £61 to £455 a week. The flat-rate contribution would be unrated in line with prices.

The sums have been calculated by the government actuary so that the flat-rate amount would produce enough to buy an annuas the basic state pension - currently £61.15 a week. Meanwhile, the 5 per cent of earnings is designed to replace the state earnings-related pension scheme (Serps), which would have offered up to 20 per cent of earnings between the national insurance limits after a full working life of contributions.

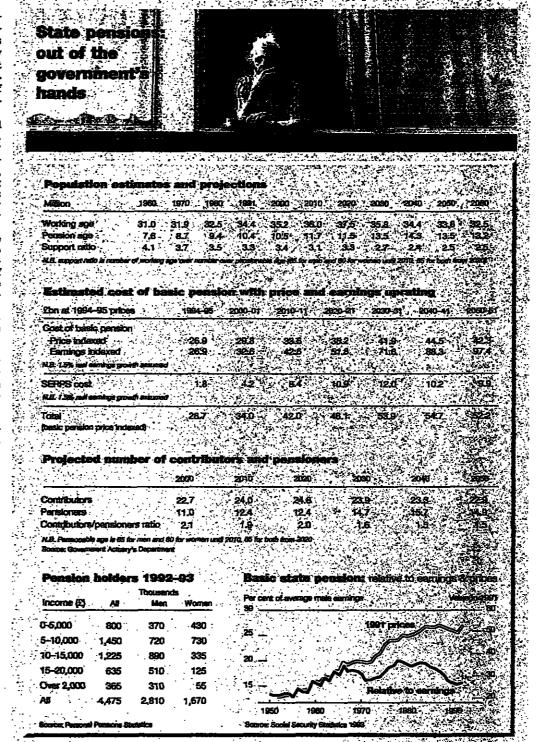
For someone earning around the average income, the value of the fund at retirement would be some £180,000 in today's prices. roughly half accruing from the £9 from the 5 per cent. As with current personal pensions, the annuity would have to be index-linked and include benefits for a surviv-

ing spouse. The Personal Investments Authority, which is the industry regulator, would publish a list of personal pension providers which met a number of criteria, principally that charges are at a reasonable level, do not penalise people who take career breaks and neither encourage nor discourage people to transfer between different funds.

This is the broad outline of the scheme. What are its advantages and how well does it meet the traditional objections to privatising pension provision?

The big advantage is that the proposal personalises as well as privatises pension provision. In this way it makes the nature of the claims on which pensions rest absolutely clear. Instead of impenetrable records at the Contributions Agency, which represent a claim on future tax revenues, people would own a fund with a private provider.

Pay-as-you-go pension systems • Pensions might be eroded by



are, by contrast, like pyramid flat-rate contribution and half finance schemes. One generation expenses. agrees to pay its parents' pensions, and in return commits its children to do likewise. But like pyramid selling, it relies on an ever broadening base to finance the few at the apex. While real productivity and the labour force were growing strongly, this lar returns. With a static labour force, the return is 2-3 per cent. compared with 9 per cent earned on equities in recent years.

Yet for all the intrinsic advantages of funding, such proposals to switch from pay-as-you-go are vulnerable to a number of criti-

• One generation has to pay twice - for the pay-as-you-go pensions of its parents and for its own funded pensions - unless subsequent generations are to be left with a larger burden of public debt.

• Retirement income becomes inordinately vulnerable to the vagaries of financial markets. • Those with low earnings and interrupted periods of employment will be unable to save for adequate pensions.

excessive

The government has made several attempts to overcome such criticism. On the transition arrangements, for example, it is clear that the burden will be spread over several generations rather than requiring one generation of younger workers to pay approach could deliver spectacu- both their current national insurance and the £9 and 5 per cent contribution on top.

Which generations are affected. however, will depend on how the national insurance rebates are financed. If they are paid for out of general taxation, part of the cost of transition is paid for by older generations. If, less satisfactorily, the government borrowed to finance them, pension liabilities would be passed to subse-

quent generations. The fiscal cost of funding the future pensions is further offset by an ingenious change in the pensions tax regime. The new generation pensioners will not be able to deduct contributions to any plan, including existing personal and occupational pensions, from their income tax. Instead their pensions will be tax-free. By

administrative from deferred taxation, the government will offset much of the

transition cost. changes, is expected to add a cumulative £160m a year to public spending. So spending would be £320m higher after two years, £480m after three and so on, until it would reach a peak of £7bn around 2040. But this is only 1/4 per cent of forecast gross domestic product - a negligible sum. Thereafter, the savings on basic state pension costs would start to

> pensioners retire. Over the very long term, the government would be slightly better off from this change. because the double tax advantage of pensions lump sums - tax relief on contributions and no tax on withdrawal - would be eliminated. Extra tax would be collected from people who are higher-rate taxpayers in their working life who could no longer claim tax relief and are likely to be lower- or basic-rate taxpayers

feed through as new generation

in retirement. For people paying the basic rate both during work and retire-ment, there would be little effect bringing forward the revenues on overall tax bills. But current

tax reliefs on contributions are up-front and so cannot be taken away. There is a danger that a government 40 years from now would look at pension fund assets – perhaps as much as £1,000bn at that time - and decide to collect tax from pay-

The government has also dealt with the objection that funds may fail to perform adequately, thereby leaving retirees penniless. It does this by offering a guarantee that the flat-rate contribution would buy an annuity at least as valuable as the basic state pension. The government is promising to underwrite a real return on this part of the contribution of 41/2 per cent a year.

In addition, the government would continue to provide income support to people with no income other than the basic pension. The basic pension guarantee would also ensure a pension – albeit a very low one – to those people with long periods out of work because of unemployment or parenthood.

Any minimum guarantee creates "moral bazard", by encouraging people to make riskier investments than otherwise knowing the government will bail them out. The answer is to insist that investment managers ignore the guarantee in making portfolio decisions - in other words, invest prudently.

Finally, the government argues that administrative charges will be lower than the 20 per cent of contributions typical of existing personal pensions because providers will have no need to persuade people to save in this form. How far this will lower charges is unclear. The government may have to find ways to drive down charges, perhaps by putting up the management of approved funds to competitive tender.

erhaps the biggest doubt is whether savings will be sufficient to finance a decent retirement income. Once the idea of compulsory savings has been accepted. however, it is not too difficult to imagine a New Labour government deciding to raise the target compulsory rate of saving, perhaps to as high 15 per cent of income. This is the level experts The rebate, with the tax believe is needed to ensure an

adequate pension. But Mr Peter Lilley, social security secretary, does not see the need for greater mandatory coverage. For the first time, he argues, everyone will have their own personal pension fund in place, and both employees and employers will be encouraged to make additional contributions.

Is the idea also exportable, rather like privatisation of stateowned industry? Robert Palacios, a pensions expert at the World Bank, is cautious. The UK already has a large funded pensions sector, so the scale of the pay-as-you-go liabilities which must be covered twice is small. The ingenious financing of the scheme, which raids the coffers of deferred pension tax revenues to finance the transition, would not be an option with a wholly pay-as-you-go system.

Whether or not the idea is exported, it is bound to change the debate in the UK. Privatisation of pensions is now on the political agenda. It is difficult to imagine it being taken off again.

OBSERVER

Bock to Front developments. A tax lawyer by training, his Advanta property for Munk

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goed down from Louiso le war. The plan is that Bock will use his connections to billip Mank make headway in Enterent property
Despite spending five years
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who celebrated his 58th birlighty
lists week - 16 best known in the
halfoe Germany as the finished
inchitest of clever property. group was the springboard for ais involvement in Lombo. The big question now is whether Bock's working

relationship with Munk will prove more durable than his short-lived fling with that other flamboyant older man, Tiny Rowland.

Yahaya's legacy in The untimely death this week of Tahaya Ahmad leaves the Malaysian authorities trying to projeck the Gordian knot of his versonal shareholdings.

It is not yet clear whether Yahaya left a will. If he did not a Malaysian man aged only 50 islamic law may well be invoked. This could mean sharing Yahaya's assets, including stakes in Malaysia's est companies, among his for children, the eldest is 24

years old and none are thought to be ready to take on One solution would be for the family to sell to the government some of Yahaya's strategic interests, such as his controlling strike in Hicom Holdings, an Widnestrial conclomerate which itself has a controlling stake in Proton, the national car maker.

The idea is that the shares could

be sold on later - if the authorities can find an ethnic Malay entrepreneur to assume Yahaya's role.

But this possible scenario raises some tricky questions. When the government set up Yahaya as Malaysia's "car czar" in 1995, it was widely believed to have sold him Hicom shares at a discount. So will the authorities expect a discount in return if they end up repurchasing the

Karel singing

European Union competition commissioner Karel van Miert has staged the fastest conversionsince Saul of Tarsus. The Flemish socialist has cultivated a reputation for free market principles in his four years in the hot seat. Only last month he refused to allow the Belgian government to bail out Wallonian steel company Forges de Clabeco; his tough line brought thousands of workers on to the streets of Brussels.

But Renault's move to shut down its Flanders production plant with the loss of 3,100 jobs has got Van Miert more exercised. He has not gone as far as Eric Van Rompuy, the Flemish economy minister, who described Renault's decision as an "act of terrorism": but Van-Miart has flooded news bulletins with denunciations of the

French company's behaviour. Renault, he insists, did not comply with EU laws on worker consultation. Perhaps it's all too close to bome?

Safe soccer

■ Tough decisions await Christopher Meyer, former press secretary to prime minister John Major, who becomes Britain's ambassador in Bonn today.

While Germany struggles with economic and monetary union, Meyer is wrestling over which football team to support. Back home he supports lowly Brighton, but if he wants to:.. strengthen Anglo-German relations be could out for FC Kaiserslautern - the team favoured by chancellor Helmut Kohl. The worry is that this selection strategy could prove short-term, especially if Kohl decides not to contest next

year's federal elections. Democratic Parry leader Oskar Lafontaine is said to support FC Saarbrücken, but the club plays in a regional league, hardly important enough to merit ambassadorial support.

A compromise choice could be SC Freiburg, currently holding up the bottom of national league tables. The club's black and red strip echoes the respective colours of Kohl's and Lafontaine's parties. Sounds like a safe bet whatever happens.

Ginancial Times

100 years ago "Thank You For Nothing"

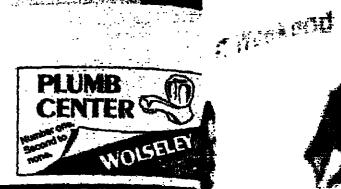
This is an empty compliment which we often hear, but the shareholders of the have to thank their directors if they do so at all – for much worse than nothing. It will be remembered that some months ago indignation was everyeased at the company. then known as the Queensland Mines Agency, following up a dividend of so much per cent with the intimation that they would merely distribute shares of a concern called the Carlyle Gold Mines. The distribution has now been made, followed rapidly by a call on the shareholders. Holders have thus had a liability thrust upon them. Distribution in the form of dividend is a new and highly objectionable method of placing shares.

The Indispensable Telephone In the House of Commons yesterday, Mr Bartley asked the Postmaster-General whether his attention had been called to the inefficient service of the telephone company in London and Westminster, and of the inability to supply persons phones, and whether with tel he would take immediate steps to place the telephone service of Landon: which was now almost essential to modern business require-



FINANCIAL TIMES

Thursday March 6 1997



Rules to counter BSE flouted, say inspectors GM keen

Britain is accused over abattoir hygiene report Soviet

By George Parker, Political Correspondent

The British government was last night accused of suppressing a hard-hitting report by its own hygiene inspectors which revealed chronic lapses of hygiene in British abattoirs. The report found that rules

designed to counter the spread of BSE – or mad cow disease to humans were being flouted and warned of "major contamination" of carcases by animal

The report was due to be made public in March last year, the same month as UK ministers first admitted the possible link between BSE and However, members of the government inspection team, which visited every abattoir in Britain, say they were told by officials at the UK's Ministry dards during 1995. of Agriculture to water down the report. When they refused. the decision was taken not to

European Union member of BSE transferring to states will be interested to humans, and there was grow-

By William Barnes in Bangkok

yesterday sacked three senior

central bank officials - includ-

ing a deputy governor - over

delays that led to charges

being dropped in an alleged

A row erupted in parliament

last month when the public

prosecutors' office dropped

charges against Mr Krirkkiat

Jalichandra, former president

of Bangkok Bank of Com-

mately blamed for the prosecu-

banking scandal.

government

ish abattoirs were failing to were being broken. prevent potentially dangerous bovine offal from reaching the food chain at the height of the BSE crisis.

Mr Bill Swann, the editor of the report, said: "I felt the report would have been of enormous benefit if it had been

The ministry said copies of the report were sent to abattoirs in June 1996, and were available to the public from the Meat Hygiene Service - a government agency.

geon, was employed in 1995 by the Meat Hygiene Service to lead a full audit of the British CJD, its human equivalent, meat industry. The work was of vital importance to the Ministry of Agriculture, which was growing increasingly concerned about abattoir stan-

All slaughterhouses were ordered to remove specified bovine offals from cattle cars, to reduce the possibility

Thai bank officials sacked

controversy to hit the central

bank, which has been at the

heart of a long debate over its

Supinit was forced to resign as

governor last July following

criticism that he failed to pro-

interference, ran a vendetta

against a personal rival and

failed to react sooner in check-

ing BBoC's slide into trouble.

The sackings also come as

the central bank and ministry

of finance struggle to prop up

alleged to have brought BBoC a fragile financial system. This the government did not act to

to its knees by making irrecov- week, the authorities write off the bank's bad debt -

erable loans worth up to \$2bn. announced emergency mea- a politically unpalatable move

Bank's central bank-approved tors' decision because it falled takeover of Finance One, the tral bank said no auction

to produce evidence within the largest Thai finance house would take place until BBoC

one-year statute of limitations. with \$3.8bn in assets. Last was profitable again.

The central bank was ulti- sures following That Danu at a time when the financial

tect the bank from political

over bungled prosecution

Mr Swann's team found that sninal cord was not fully removed from all bovine carcasses" and that the majority of plants did not mark waste containers "unfit for human consumption'

The team's findings on animal faeces were equally alarming. The faeces harbour the deadly e-coli bacteria, which has been responsible for food poisoning incidents in Scotland that have claimed 20 lives in the past four months, with separate outbreaks in Lanark-

shire and Tayside.

saved.'

independence. Mr Vichit cent stake in the bank. The

the 54-page report was not published because of the damage it could do the meat industry. Mr Nigel Griffiths, consumer affairs spokesman for the opposition Labour party, said: Every other line is damning. If this report had not been suppressed, there is a high possi-

Mr Swann said he believed

Contamination alarm, Page 8

vened to save BBoC, but in

January it postponed indefi-

nitely the auction of its 65 per

central bank will take on an

estimated \$2bn in bad debt and

hire outside managers to run

the commercial bank as a gov-

The central bank has been

unable to find a way to sell the

bank without using taxpayers'

money to put it on a firm foot-

ing. Likely bidders said they would offer only token sums if

sector is under strain. The cen-

ernment-owned institution.

bility that lives may have been

in former

Mr David Herman, chairman of GM's Opel brand, said the group had cancelled consideration of all other projects in the former Soviet Union, including possible ventures in

It plans instead to sign a partnership deal with Avtozaz, Ukraine's biggest car company, by the middle of the year, and to continue talks with Avtovaz, the big Russian carmaker behind the Lada brand. The group is aiready involved in Russia through an investment in the Russian epublic of Tatarstan

However, GM's negotiations with Avtozaz and the Kiev government may be scuppered by Daewoo, the fast growing South Korean industrial group, which crossed swords with GM last year in Poland when it won control of the

into the region last veer with a joint venture to build Chevrolet Blazer sports utility vehicles with Elaz, a local carmaker, and the Tatarstan authorities. Mr Herman said GM would continue to develop this deal as well as expand its fledgling dealer chain in the

former Soviet Union. Ukraine is attractive to foreign car companies because of its 52m population. Avtozaz has a relatively modern plant, and is an established brand through its Tavria saloon, so the investment required by a foreign partner could be limited to between \$10m and

Avtozaz, which has 12,000 employees, is keen to find a

GM signed a protocol with

oil-rich Kazakhstan.

FSO car company.

Mr Herman, who has responsibility for the Ukrainian talks, said a deal with Kiev and Avtozaz was a priority for the US group. Mr Jack Smith, GM's chairman, has told the negotiating team to "make every effort" to secure a deal, he said in an interview at the Geneva Motor Show.

GM took its first big step

\$20m, said Mr Herman. foreign partner to develop new models. Demand has fallen sharply in recent years. Production of the Tavria dropped to about 35,000 units last year and is believed to have declined further.

the Ukrainian government earlier this year to suggest a rescue plan, which would include producing between 30,000 and 50,000 units of an Opel model, with rising local

Sun 17 shower 17 fair -7

to expand Union

neral Motors, the world's biggest carmaker, plans to expand in the former Soviet Union by concentrating on a few investments in the region's larger and more stable markets.

Greece/Turkey

The traditional rivalry between Turkey and Greece appears to be spreading into the financial arena. The two countries' stock markets are vying for the title of best performer so far in 1997. Despite setwhich led the initial charge, 22 per

But the reasons behind those performances are very different. Turkey's run has been prompted by the announcement of an ambitious prioutcome is that Rheinmetall will vatisation programme, starting absorb Kolbenschmidt's small castwith the state-owned telecoms operings division and put the main pisator. Investors have taken that as a tons operation into some sort of ioint venture with T&N. Properly signal that Turkey intends to transstructured, that should get around form itself into a more modern economy. Sadly, the fundamentals—the competition authorities and still do not support this Inflation is run- realise T&N's dream of becoming ning just below 80 per cent and the world's largest pistons maker. A interest rates have breached 100 per joint venture would also be cheaper

THE LEX COLUMN

Defence Meccanism

cent. Worse, a political battle has

been shaping up between Turkey's

Islamist-led government and the

Greek equities, by contrast, look

more soundly based. The economic

picture is improving rapidly: infla-

tion has dropped a full point to 6% per cent in three months, allowing

cuts in interest rates. The new

Socialist government has passed a

fiscally responsible budget and

faced down a farmers' strike. And earnings growth should hit 15 per

cent this year, with many Greek companies expanding into the Bal-

If Turkey can resolve its political

difficulties amicably, that should

give its market another boost. Until

then, however, Greece is likely to

run away with the Olympic hon-

At first sight it looks as if T&N

has lost its long battle to win con-trol of Kolbenschmidt, the German

pistons manufacturer. Yesterday's

news that Rheinmetall, a German

conglomerate, is buying 25 per cent

of Kolbenschmidt and wants a

majority appears to leave the UK

Far from it. T&N and Rheinmetall

know each other well and are not

direct competitors. The most likely

engineer stymied.

T&N/Kolbenschmidt

secularist military.

If you cannot deal with the French, FTSE Eurotrack 200: talk to the Italians. That is the message of GEC's decision to open negotiations with Italy's Finmeccanica. A combination of Britain's GBC-Marconi and France's indices in \$ tenns prebased) Thomson-CSF might produce the greatest benefits of any European defence electronics tie-up. But, with France taking a nationalistic line, a inkwith Finmeccanica's Alenia subsidiary is a good second best. Up to 12hn of Marconi's turnover

and £1bn of Alenia's could be involved in a deal. Since they are in roughly the same businesses radars, avionics and missile electronics - that points to pretty chunky cost savings through eliminating duplication. The financial apside could be even sweeter given that Alenia's margins are only half Marconi's 10 per cent.

But the implications of the talks are broader. First, a deal with Fin-meccanica on defence electronics could be a prejude to a deeper relationship. Ansaldo, Finmeccanica's power engineering and transport ousiness, could fit logically with GEC's GEC-Alsthom venture. Second, the talks are a further warning to the French about the dangers of pursuing a nationalistic line. Both the UK and Italy are more pragmatic about defence restructuring. The next challenge will be to bring in Germany; certainly, last week's decision by Siemens to put its defence electronics businesses up for sale is an opportunity for GEC. The risk to France is that, if it insists on controlling everything, it will be marginalised

backs last week. Greece is up 31 per cent in dollar terms, with Turkey, cent higher.

to pursue boit-on acquisitions els where in the world.

UK pensions

When a government thinks it a win votes by offering tax cuts in the middle of the next century finance by higher taxes until then, it me be desperate. But the mere fact th Britain's Conservatives are me unlikely to implement their plans privatise pensions should b detract from their merit, T scheme is an ingenious mechanic for gradually weaning pensions off the state, while keeping compount of the mining tabour would do well to examine seriously if it wins power in Ma as would other countries with e

bigger pension time-bombs. The government's claim that to scheme will eventually cut pub spending by £40bn a year mis seem good news for financial in kets. But look at the fine print a it is clear that the scheme involve either higher borrowing higher taxes for 45 years. After th the savings will dribble in or another 20 years - achieving fruition only when all today's year-olds are dead. Even then, £40bn figure is somewhat miste ing: it is a gross figure, which de not take into account the cost continuing rebates from nation insurance contributions or lost revenue. So there is not much excite the gilt market.

What about equities? Here it possible to be a touch more optin tic. The initial impact is minima less than £400m would flow is these new pensions in the first ye But the sums would mount fai rapidly. Moreover, it is possible t privatising pensions would enhan individuals' sense of ownership, i ing a welcome boost to the equ culture. People may even si more, but do not count on it.

Such a scheme would be ben' cial for the savings industry. winners would be those able develop cheap and cheerful pr ucts. The trend from active ft management to index-track would probably accelerate, as wo the shift from defined benefit ; sions to defined contributions. All this is good, responsible st for which the government deser credit. But it is hard to see it w

Additional Lex note on B.

British pensions scheme

Continued from Page 1

was careful vesterday to keen open the option of transferring some state pension obligations to the private sector.

The scheme, which bears some similarities to Chile's restructuring of pensions in huge further growth for UK 1981, would take a generation and more to work through as the system is phased in and the old scheme continues for

cent real rate of return on investments, individuals could expect a £130,000 (\$211,900) fund when they retire, for a pension of £175 a week in

today's prices. The change would mean pension funds which already hold 30 per cent of the UK stock market. The UK already

No global airline has a younger fleet.

Lufthansa

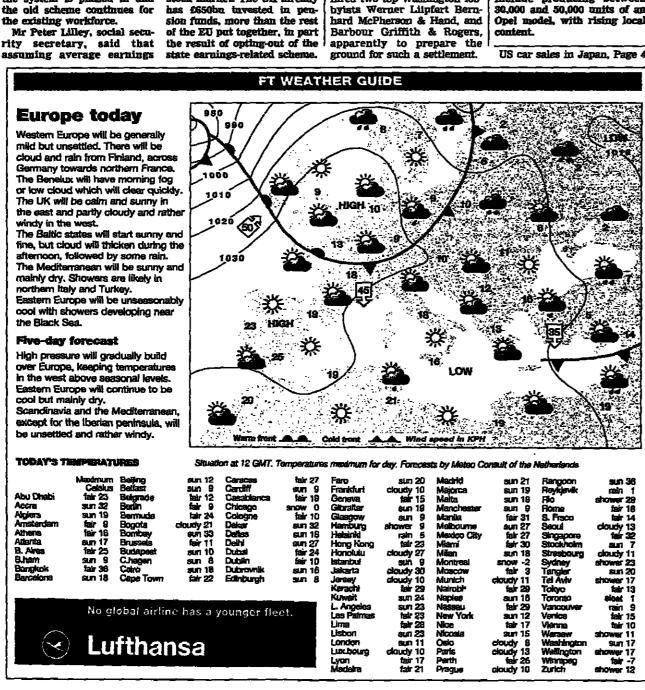
cases and has no intention of would be prepared to "evaluate proposals from third parties to provide relief from all

Smoking

Continued from Page 1

its ability, ultimately, to win proposing a settlement." But it current and future suits".

In a bid to break the deadlock, the industry last month hired two top Washington lob-



The penniits of a commercial bank the most powerful and secure banks in the world serving over 3 million customers în 44 countries, leaves us ideall an investment back management and reduced risk through colleteralised back reportrading capability backed by our strength in lending or borrowing. Global leaders in eaulty financing and matched book a trustee bank and equity lending product to a strategic approach cining our advantages and unique depth of resources as a county ment and trustee bank into a single service, we offer our phents great optential to make the most of the many opportunities in financing and mo For further information, please contact: Bishopsgate London EC2N Mark Harrison (equity financing) Matthew Keller (repo) Fax: - 44 171 546 1282 Deutsche Morgan Grenfell

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FINANCIAL TIMES

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IN BRIEF

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Arthur Bury

Foncier reprieve prospects fade

The prospects of a partial reprieve for Crédit Foncier de France, the specialist property bank, were jeopardised last night when a rival lending institution indicated it would no longer be bound by its proposed rescue offer. Page 16

Skandia posts flat profits Skandia, Sweden's biggest insurance group, reported flat profits in 1996 despite strong growth in its non-life and life earnings. Page 16

Thomson-CSF back in black After three years of net losses, Thomson-CSF, the French state-controlled electronics company, reported a 1996 net profit of FFr745m (\$129,22m). Page 16

Continental climbs 24%

Continental, the world's fourth-largest tyre maker, said net profits climbed 24 per cent from DM155.2m to DM192.5m (\$112.6m) in 1996, bolstered by new products and an extensive restructuring over the past few years. Page 17

PBL hurt by weakness in advertising Publishing and Broadcasting (PBL), the listed Australian media group controlled by Mr Kerry Packer, blamed a soft advertising market for a - 2.1 per cent drop in first-half profits.

Paribas piens 25% increase in US Paribas, the French financial group, plans a 25 per cent increase in its US investment banking workforce this year in a move to strengthen its position in capital markets, derivatives and corporate banking. Page 19

Barneys creditors reject \$240m offer A \$240m offer to buy Barneys, the bankrupt New York retailer, was rejected by the company's unsecured creditors as too low. Page 19

US charge curbs BAT BAT Industries disappointed the market yester-day when it reported that 1996 profits had been hit by a £160m (\$260.8m) provision for US environmental claims at its Eagle Star insurance subsidiary. Page 21; Lex. Page 16

State of the State of

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Thursday March 6 1997

Chief executive says control of rising operating costs is priority

Credit Suisse first loss heavier than forecast at \$1.7bn

By William Hall in Zurich

Credit Suisse, the largest Swiss bank, yesterday announced a heavier than expected net loss for 1996 of SFr2.59bn (\$1.7bn). The deficit, first in the group's 140-year history, was about SFr300m for general banking risks. bigger than forecast in December when the group announced extra provisions for loans.

Total operating income rose 17 per cent to SFr12.89bn, but while that growth was slightly focused on the 20 per cent rise in operating expenses to

Mr Lukas Mühlemann, the and that controlling them was now the priority.

per cent to SF13.49bn, commissions and service fees went up 18 per cent to SFr4.94bn, and trading income rose by 33 per ent to SFr3.90bn. Credit Suisse shares, which

year, initially rose from Tuesday's closing price of SFr158.5 of SFr1.38bn on income of restructuring and but at the close of trade were SFr3bn and SFr2bn of capital, the loan portfolio.

little changed at SFr158.25

The deeper than expected losses resulted in part from a decision not to create a tax credit of SFr170m in the US allocated SFr195m to reserves

Mr Mühlemann, who made Swiss Re, the world's second higgest reinsorer, indicated he would not depart from the restructuring strategy better than at rival Union announced last year by Mr Bank of Switzerland, analysts Rainer Gut, Credit Suisse's chairman.

However, he did split out the contributions of the four business units for the first time new chief executive, said the and outlined their profit tarrising costs were "worrying", gets. Credit Suisse First Boston, the investment bank, was the biggest contributor last Net interest income rose 6 year, earning SFr1.87bn on revenues of SFr6.47bn and capital of SFr9.6bn_

Credit Suisse, the domestic retail business, reported a pretax loss of SFr950m on income of SFr2.7bn and capital of have climbed 15 per cent this SFr4bn. Credit Suisse Private Banking made pre-tax profits

and Credit Suisse Asset Management earned SFr195m on of SFr400m.

Mr Mühlemann said that following a reorganisation of within the group's overall tar-the bank. In addition the bank get of an average return on domestic business should earn between 10 and 12 per cent, his name by restructuring and CSFB in excess of 15 per cent. The target for private banking was between 40 and 50 basis points on funds under management and between 12 announced last year by Mr and 15 basis points in the case

The group has total equity of SFr15.6bn. total capital of SFr23.22bn, and total assets of SFr524bn. Its Tier One capital is 8 per cent and total BIS capital ratio is 11.9 per cent.

After allowing for a one third rise in normal provisions, to SFr1.25bn, extra depreciation, and a rise in the group tax charge, net profit before minorities fell by 1 per cent to SFr1.79bn.

Extraordinary profit on the sale of its stake in Electrowatt helped offset the SFr5.4bn of restructuring and cleaning up



ERIALS

extraordinary expenses for Credit Suisse's new chief executive Lukas Mühlemann said the bank's rising costs were 'worrying' and that controlling the increase in operating expenses was now the priority

Bock to cut last of his links with

By Andrew Taylor

Lonrho

Dieter Bock, former chief executive of Lonrho, is to sever his remaining links with the UK conglomerate after yesterday announcing a property deal to team up with Peter Munk, the Canadian

Mr Bock is selling about half his European commercial property assets to TrizecHahn, north America's second largest publicly quoted property

Mr Munk a 69-year-old born in Hungary, owns 52 per cent of the voting shares and 9.6 per cent of the equity of TrizecHahn.

Mr Bock will take up a new job as TrizecHahn's European

He intends to resign as a director and non-executive chairman of Lonrho at the company's annual meeting later this month.

TrizecHahn was created last year when Mr Munk restructured his Horsham conglomerate by merging it into its 48 per cent owned Trizec Corporation leaving the combined group with assets of more than US\$6bn and current market capitalisation of more than US\$3bn.

The group also owns 16.7 per cent of Barrick Gold Corporation, the world's second largest gold producer.

Mr Bock will now own 4 per cent of TrizecHahn as part of that company's US\$147m deal to buy five UK and German development projects from Advanta Management which is controlled by Mr Bock.

His departure from Lonrho ends a dramatic four year involvement during which he ousted Lonrho's founder, Mr Tiny Rowland, and began the process of dismantling Britain's most diverse con-

Last October Mr Bock sold his 18.8 per cent stake in Lonrho to Anglo American, the South African mining group, and surrendered the chief executive's role to Mr Nicholas Morrell. Anglo's parchase is now being investigated by the European Commission.

The developments TrizecHahn is buying include Number 1 Poultry, one of the City of London's most prestigious office addresses.

Four German development sites are being purchased. Two are proposed mixed office and retail schemes in Berlin worth DM600m (\$355m). A DM120m scheme is planned at Dresden and a residential development on the Baltic coast.

T&N considers German alliance UK group hopes move may lead

Michael Lindemann

T&N, the UK engineering group which yesterday announced pretax losses of almost £390m (\$636m), is considering forming a strategic

Industry observers said it extent of any talks with Rhein-Rheinmetall, the German ment, however, it said: "Disindustrial conglomerate, which cussions have commenced has acquired a 25 per cent stake in Kolbenschmidt, the German pistons manufacturer.

T&N bas been stalking Kolbenschmidt for more than two years. Although T&N's attempts to buy a strategic stake in the pistons group have been rejected by the German cartel authorities, it is understood to regard Rhein-

metall's intervention as a pos- an Anglo-German alliance, it sible pre-cursor to a global could overtake Mahle as the pistons joint venture. The UK group, which of vehicle pistons.

to global pistons joint venture

alliance to create the world's already has options involving Suggestions of a possible largest automotive pistons 24.99 per cent of Kolbensch link emerged after T&N midt, refused to confirm the reported pretax losses of £388m might form a partnership with metall. In its results state- of £120m in the previous year. with a leading German industrial company with the aim of progressing the group's position." Rheinmetall, which aims

to take management control of Kolbenschmidt by the year end, also said such discussions would take place - while Kol-

benschmidt itself said they were already under way. If the two companies formed

world's leading manufacturer

The figures were undermined by £540m of one-off exceptional charges, mainly related to provisions against future asbestos costs at T&N. formerly one of the UK's largest asbestos producers. The impact on reserves has

forced T&N to miss out a final dividend. Instead it is offering shareholders a 3p "special first 1997 interim dividend - provided sufficient distributable

reserves are available". If so, T&N investors should receive an unchanged payout of 6p for

In Germany, meanwhile, Rheinmetall said the proposed acquisition of the Kolbenschmidt stake would significantly enlarge its automotive components business. "We will become a global player in automotive systems. That is the

The Düsseldorf-based group refused to say how much it had paid for the Kolbenschmidt stake but it is thought that the 24.99 per cent holding is worth about DM180m (\$106.5m). That stake was held by Commerzbank on T&N's behalf, but the UK group's options expired last year.

T&N results, Page 22

Société Générale fined for attempt at poaching

By Andrew Jack in Paris

Société Générale, one of France's largest banks, was yesterday condemned by a Paris court for acting unfairly in an attempt to win business from its state-owned rival Crédit Lyonnais.

The Paris commercial court fined Société Générale a symbolic FFr1 with FFr50,000 (\$8,700) in costs for writing to Crédit Lyonnais customers to denigrate their bank and encourage them to move their

The decision highlights the increasingly desperate mea-sures by French banks in response to intense competition as well as the continued bitterness between the two

A number of Société Générale agencies targeted their rival's clients by collecting the names and addresses of Crédit Lyonnais customers from the information provided on cheques and standing orders

they handled. Crédit Lyonnais says about 100 of its customers notified it of the letters, which included phrases such as "in an uncertain economic environment, perhaps you have the feeling that your bank has difficulties...in giving you really

competitive offers". Another letter said: "[some banks] are judged to be virtually bust ... in the face of this sad reality, some of their clients are legitimately asking questions, others are con-

cerned." In its defence, Société Générale claimed the initiative was taken by individual agencies and not by headquarters, and that the campaign was not aimed only at Crédit Lyonnais' customers but those of other financial institutions.

It said its rival's decision to sue was an effort to attract Générale had complained to the European Commission about a financial restructuring of Crédit Lyonnais.

The French data protection agency carried out an inquiry at Société Générale last vear. following which the bank agreed to eliminate the addresses of its rivals' customers from its computer systems, and the country's banking association requested its mem-Lex, Page 14 bers to cease similar practices.

Bandai to boost output of cult

virtual chick toy By William Dawkins in Tokyo

Bandai, Japan's largest toymaker, is planning a five-fold increase in monthly production of its latest game, a pocket-sized egg with a virtual chicken, to keep pace with the bird's unexpected elevation to cult status.

Bandai has sold 1.35m tamagotchi or "cute little egg" toys since its launch last November. Demand has been so strong that long queues form outside Japanese shops and the toys can trade on the black market for up to 25 times their recommended retail price of

> Bandai said yesterday that more than 5m extra tamagotchi would be made at its Chinese plant by the end of May, lifting average monthly output from 330,000 to 1.66m and cumulative production to 6.5m units. It asked customers to "be patient" and not overpay for tamagotchi on the

Bandai's tamagotchi is the latest and most popular computer role-playing game, based on parenting themes, to hit the domestic market in recent years. Its popularity has been the subject of sociological comment in the Japanese media.

The plastic egg has a small liquid crystal display on which a chick hatches. Buttons are pressed to feed, clean and play over-fed, it emits a piercing noise - even in the middle of the night - mutates into a tetchy old man and dies. If well cared for, it ruffles its after the US. feathers, hops about, and lives happily for 10 days or so.



Virtual toy, real success: Bandai's 'cute little egg'

Bandai expects to sell 13m tamagotchi by March 1998, but declined to estimate the impact on earnings. In January, Bandai forecast a Y2bn recurring loss - before tax and extraordinary items - for the year to March, rather than the Y22bn profit it had expected. Soon after forecasting its plunge, Bandai received a merger approach from Sega, the electronic games group, to be completed in October.

Executives said they had misread market trends. They had stepped up production of expensive character toys. when demand for these was flat. The fastest-growing segment of the Japanese market has been for cheap pocket-toys, such as the tamagotchi.

The group is considering a with it. If bored, underfed or further increase in production after May to supply the US market, where the tamagotchi is expected to hatch from July. European sales are planned

IR£46.5 million



Management Buy-Out

Cable Management (Ireland) Limited

Transaction led by Legal & General Ventures Limited

Institutional Equity provided by Legal & General Ventures 1996 Unquoted Equity Fund LP Legal & General Ventures 1996 Unquoted Underwriting Pool IP **Barings Communications Equity Limited**

> Senior Debt arranged by Chase Investment Bank Limited

Management advised by Corporate Finance Ireland Limited



Legal & General Ventures Limited

Regulated by IMRO

Skandia flat after shake-up charge

By Hugh Camegy in Stockholm

Skandia, Sweden's biggest insurance group, yesterday reported flat profits in 1996 in spite of strong growth in its non-life and life earnings. Chief culprit was a total charge of SKr2.2bn (\$288m). mainly to cover restructuring costs in its non-life

The group's operating profit rose just 1 per cent from SKr2.38bn in 1995 to SKr2.39bn. A sharp increase

to SKr11.

The dividend was raised

SKr2.75. But the company warned that coming levels of investment would limit dividends in the short term. to close at SKr225 following

the news. The main factor holding

SKrl.1bn, with earnings per Although non-life and rein- els in the second half - but share declining from SKr16 surance earnings soared 54 the overall weakness of the per cent from SKr2.3bn to SKr3.5bn, this was entirely from SKr2 a share to because of a big increase in investment income, which more than doubled to SKr3.1bn.

Stripping out investment Skandia's shares fell SKr3 returns, the so-called technical result in non-life and reinsurance tumbled from SKr1bn to SKr403m, a 62 per back profits was a SKrl.4bn cent reverse caused chiefly restructuring charge aimed by a spate of big claims in

non-life business was underlined by a 7 per cent fall in premiums from SKr24bn to SKr22.5bn.

Mr Lars-Eric Petersson chief executive, said the measures taken in the nonlife area - in markets as diverse as the Nordic region, Italy and the US - would yield annual savings of SKr400m in the long term. The life and unit-linked

in tax charges left net profits at boosting profitability in the first half. Claims levels operations continued to be down from SKr1.6bn to the non-life operations returned to more normal lever the growth engine. Grouped under the AFS subsidiary, profits from these operations jumped 41 per cent from SKrl.1bn to SKrl.5bn, while premiums grew from SKr26.7bn to SKr36.4bn.

• Storebrand, the Norwegian insurer, is taking steps to improve competitiveness and productivity, including cutting 450 staff this year. Operating profits in 1996 fell from NKr4.2bn to NKr4.1bn (\$589m). Earnings per share fell from NKr4.94 to NKr4.10.

stake in Airtel to

British Telecommunications has raised its stake in Airtel, the Spanish mobile telephone company, under a deal with Banco Santander which is expected to open the way to further expansion by the UK operator in

Spain.
The deal, which includes the purchase by BT of Banco Santauder's 50 per cent stake in a Spanish joint venture, BT Telecomunicaciones, is believed to be

worth about \$200m. It follows moves by BT to build up mobile telephone interests in France, Germany, Norway and India.

BT is buying most of Banco Santander's shareholding in Airtel, increasing its stake from 7.3 per cent to 15.8 per cent. This makes it one of the two main partners in the Spanish com-pany, alongside AirTouch of the US, which has 16.7 per

Airtel, launched in late 1995, accounts for about a third of the fast-growing Spanish mobile telephone market, in competition with the Telefónica group. It said yesterday it expected to cut its losses by about two-thirds this year to some Pta10bn (\$69m), on turnover

sharply up at Pta130bn. Its other shareholders are Spanish banking and industrial interests. Banco Santander said it would hold on to its remaining 5.5 per cent stake "for the time being".

BT was always expected to assume full control of BT Telecomunicaciones, a data transmission company, after an initial start-up period.

The separation from Banco Santander leaves BT freer to launch a bid for the forthcoming privatisation of Retevisión, the company which is to become Spain's second basic telephone operator. BT said yesterday it was keeping an open mind about whether or not it would compete in the privatisation, expected in May.

EUROPEAN NEWS DIGEST

Reprieve for CFF in jeopardy

The prospects of a partial reprieve for Credit Funder de France, the specialist property bank, were leopardised last night when a rival lending institution indicated that it would no longer be bound by its proposed rescue offer, My Jacques Mimin, managing director of Cristit Immobilier de France, told the Agence France Presse neves agency that his group was resuming its "total freedom for development and would no longer take into account its offer for Crédit Foncier.

He said the group would soon start to hire "dozens" of new staff after freezing recruitment for nine months while awaiting acceptance of its CFF proposals to be accepted. The move, which had been hinted at by the chairman last month, will come as a considerable blow for CFF, since it had been the only serious offer to help preserve jobs and keep the bank operating.

Crédit Immobilier, a mutualist nome-loan institution agreed under government pressure last year to a plan under which it would hire 1,500 of CFF's staff and take on the management of its PAPs, or low-income bousing loans. However, in the wake of CFF's worsening financial troubles, the state - which appointed top management. but had no shares - launched a takeover last autumn. with the ides of transferring nearly balf the staff to Credit Immobilier, and gradually winding down those activities which were not handed over to its rival.

Anthren Jock, Pork

Air Liquide improves

Air Liquide, the French industrial gases group, yesterday reported a modest 4.2 per cent improvement in consolidated net earnings from FF72-56bn to FF72-77bn (\$480m). It said its progress had been limited by the 'sluggish" European economic environment, particularly in France and Germany. The group nonetheless described 1996 as a year of "remarkable commercial successes" in which important long-term contracts had been signed, resulting in an acceleration in industrial investment. The return on these investments, coupled with new efforts to improve productivity, would contribute to growth. Sales rose 6.8 per cent from FFr32.2bn to FFr34.4bn, with weak European growth offset by sustained activity in the US and south-east Asia.

Philips board member quits

Philips, the Dutch electronics group, is to lose another of its old guard with the early retirement of Mr Jan Tollenaar, who joined the company in 1962 and has been on the board only since last May. Before that he headed its Sound & Vision unit, which has suffered the brunt of cuts to operations in television sets, video recorders and audio products since the appointment of Mr Cor Boonstra as Philips chairman.

Three weeks ago, when unveiling a slide into the red for 1996, Mr Boonstra was forced to deny boardroom unrest over his restructuring measures. Two days earlier Mr Jan Timmer, his predecessor, resigned from the supervisory board to which he had been elevated after handing over the executive rains last October. Along with the results came an announcement that Mr Frank Carruba, another managing board director, was leaving at the end of his contract to return to the US. Philips said yesterday: "The decision to retire is based on personal considerations of Mr Tollenaar", who turns 60 this year.

Gordon Cramb, Amsterda

homson-CSF back in black

By David Buchan in Paris

Thomson-CSF, the French state-controlled electronics company, yesterday reported a 1996 net profit of FFr745m (\$129.2m) after three years of net losses. The return to the black comes as the group prepares for privatisation.

The turnround was less dramatic than it appeared, however, because Thomson-CSF no longer has the burden of its 16.8 per cent stake in the lossmaking bank Crédit Lyonnais, which pushed it into the red group. between 1993-95. The govern-CSF's hands.

still managed to lift pre-tax company.

operating profit by 5.6 per cent last year, to FFr2.07bn. As a share of turnover, this was 5.7 per cent compared with 5.5 per cent in 1995. This was in spite of restructuring costs of FFr749m last

year, up from FFr563m. This improvement is likely ment to seek a higher price for the company than the FFr18bn-FFr19bn which the Lagardère and Alcatel groups gave it in their bids in last year's aborted privatisation of the whole Thomson

The government is now ment agreed last year to selling its 58 per cent stake take this stake off Thomson-CSF separately from the Thomson Multime-However, Thomson-CSF dia consumer electronics

state hands for a while, funds and less than FF1900m partly because later today it net debt. To this, Mr Roulet is expected to report a net said, should be added the loss, after provisions, of around FFr3bn.

Thomson-CSP yesterday announced a net dividend increased to FFr2.80 from to encourage the govern- FFr2.60. Its share price closed up FFr3 last night at FFr196, giving the entire company a market value of some FFr22bn. Mr Marcel Roulet chair-

man, called the results "satisfactory", referring to the profit margin, an increase in sales in Europe outside France to 28 per cent of the total, and the consolidation of its financial position.

The company ended last sale chosen by the state.



flotation rather the trade Marcel Roulet: described

Satellite wars break out in France

By Andrew Jack

Canal Plus, the French pay television group which last year launched a digital satellite service, is refusing to broadcast advertisements for the country's leading rival satellite provider.

Télévision Par Satellite has been requesting airtime on Canal Plus, an encrypted, subscription-based channel, at least since the middle of last month, yet it has not received an official reply.

The stalling comes in spite of advertisements for Canal Plus's service, called Canal

sion broadcaster, which is an

It represents the latest in a rival satellite services, Canal TPS, which began operations core business. in December.

Canal Plus confirmed yesterday that it had received an advertising request from TPS, but would only say that it was "studying" the

Satellite, on TF1, France's clusion is expected to be leading private sector televi- reached within a few days. The group is believed to be

important shareholder in considering the legal implications of a refusal of TPS's order, using the argument series of bitter feuds that to carry advertising between Canal Plus and TF1, from TPS - which offers a as well as between their range of programmes similar to those available on Canal Satellite, which was Plus as well as Canal Satellaunched last April, and lite - could undermine its

Individuals close to Canal Plus suggested yesterday that Canal Satellite advertising on TF1 did not threaten its primary activity of terrestrial broadcasting, and even demand. A preliminary con-helped it by providing it long attacked each other. Mr

with advertising revenue. By contrast, Canal Plus has a tiny percentage of the French television advertis-

Lyonnais shares.

ing market, which is dominated by TF1, and only accepts adverts during the short periods each day when its programmes are broadcast unencrypted. Canal Plus is also believed to be studying whether it

can bring a legal case against TF1 for allegedly broadcasting details of its rival TPS service just after adverts it has carried for Canal Satellite.

TF1 and Canal Plus have

sue Canal Plus as he argued that Les Guionols, a weekly satirical programme it broadcasts, spent disproportionate time mocking his The bitterness between the two stations has intensified

Patrick Le Lay, chairman of

TF1, threatened in 1995 to

with the launch of their competing satellite services. In the past few weeks, the operators have come out with a large number of claims and counter-claims on subscriptions, the nature of the services on offer and the contracts signed with film distributors.

This announcement appears as a matter of record only



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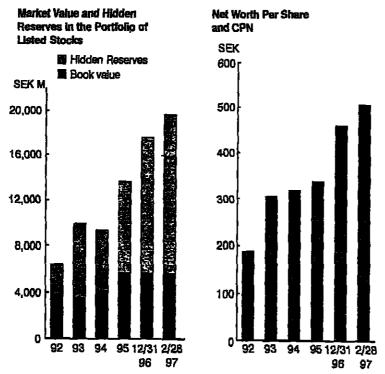
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February 1997

INDUSTRIVÄRDEN

Account Report 1996

- Consolidated earnings after financial items totaled SEK 1,417 M (1,765). Capital gains on sales of stocks accounted for SEK 687 M (1,281) of this total.
- The value of the portfolio of listed stocks on December 31, 1996, was SEK 17,752 M (13,775). Adjusted for purchases and sales, the value of the portfolio rose 36 percent (20) since the beginning of the year. The General Index rose 38 percent (18).
- The portfolio was valued at SEK 19,782 M at February 28, 1997. Adjusted for purchases and sales, the increase from year-end 1996 was 13 percent. compared with 12 percent for the General Index.
- Net worth at year-end was calculated at SEK 455 (333) per share and CPN. Net worth at February 28, 1997, was calculated at SEK 501 per share and CPN.
- The Board of Directors proposes that the dividend be raised by SEK 2 to SEK 13 per share. Interest per CPN would thus amount to SEK 14:95.



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Banks for sale.

COMPANIES AND FINANCE: EUROPE

Bank sell-off a litmus test for Netanyahu

A successful Hapoalim sale would help the Israeli PM silence his critics, writes Avi Machlis

he Israeli government yesterday pressed ahead with plans to sell its holdings in Israeli banks, and invited investors to apply to buy a controlling stake in Bank Hapoalim, the country's biggest.

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in a notice published by the government and MI Holdings, the government company responsible for selling the banks, Israel said it hoped to complete the Hapoalim sale by late August Mr Meir Jacobson, general manager of MI Holdings, knows any delay may frighten investors away. "The critical issue is time." he says, recalling how attempts to sell the bank last year failed. "Businessmen want to begin and finish a deal within a reasonable time period."

The sell-off of Israel's big- are successful, he may reach gest state-owned banks is a that target, and so silence litmus test for Mr Benjamin Netanyahu, Israel's prime minister, who has made pribreak-im of the concentration of the Israeli economy". slow process.

Through selling govern-

promised to raise Shk4hn (\$1.12bn), but it is still unclear what the receipts will be used for. If just three

criticism that his goals are unrealistic The government took convarisation the cornerstone of trol of the banks and rescued his economic policy. He them from near collapse recently said the govern- after the loans-for-shares ment planned that the scandal of 1983. Since 1988, it banks' privatisation would has been committed to: be "a milestone in the returning them to the private sector, but it has been a

of the planned bank sell-offs

Some scepticism about the prospects of a fast-paced banks, Mr Netanyahu has drive to sell-off the banks

was aroused when a secondary float of 17 per cent of Israel Discount Bank, the third-largest, was recently postponed to April because of concerns over provisions. The sale had been set for February and was expected

to raise Shk600m. That delay, however, has not affected expectations for sales of the two much larger banks. A tender for a domestic offering of 10 per cent of Bank Leumi, the secondlargest, is expected soon, Mr Jacobson says. The sale is planned for May and could raise Shk700m.

But the priority is to sell a private investors. The sale

value."

Hancalim. The hank has a 35 could generate between Shk2hn and Shk5.47hn in per cent market share of loans. Net profits rose 8 per revenues, based on shareholder equity of Shk7.94bn at cent in the first nine months the end of last year's third of 1996, from \$193.8m to \$209 6m. It controls about 8 per cent of Israel's gross

A sell the bank last year, analysts believe the time is now right. First, the political environment appears to have stabilised since the election last May of Mr Netanyahu and his conservative Likud-led coalition. And analysts say Israeli banks are undervalued. "Bank markets are going up," says appealing now."

at Zannex Securities in Tel Aviv. "In the past two years, Israeli banks have traded at 20-30 per cent below book value compared with banks around the world which have traded as much as two times higher than their book

Ms Debra Kodish, an analyst

Two groups comprising foreign and local investors are already lining up to bid for Hapoalim. One is led by Mr Jeffrey Keil, the US banker. The other is headed by Mr Ted Arison, the US-Israeli entrepreneur, and includes Claridge-Israel, one of the largest foreign investors in Israel.

Mr Jonathan Kolber, presi dent of Claridge-Israel, says his group pulled out last year, just before a deal was closed, because the process had dragged on for more than 18 months. It was also fter failed efforts to taken aback by banking reforms announced during advanced stages of negotiations. This time, it appears more confident. Mr Kolber says: "Our analysis of everything - the political situation, the economy – the fact that the market has woken up and the fact that MI Holdings and the government seem to have a clear desire Hapoalim is cheap and the to sell makes things more

EUROPEAN NEWS DIGEST

Acerinox follows trend with 56% fall

Acerinox, the Spanish stainless steel producer, reported weakened 1996 profits in line with rest of the sector. blaming sharply reduced prices. Consolidated net earnings fell 56 per cent to Pta14.8bn (\$102.3m), sales were down 5 per cent to Pta180hn and net operating income was reduced by 65 per cent to Pta17.9bn.

International stainless steel prices fell by nearly 50 per cent last year, and Acerinox's income was also affected by the revaluation of the peseta against the D-Mark. Production by the group, which owns North American Stainless in the US, a stake in Mexinox, Mexico's only producer of stainless flat products, and also operates the world's largest totally integrated plant in Algeciras, on the southern tip of Spain, reached record levels last year. • Krupp Thyssen Nirosta, the special steels subsidiary of the Krupp Hoesch and Thyssen steel groups, has bought a one-third holding in Mexinox from a group of Mexican investors, and additional shares from Acerinox, Nirosta said yesterday. A further one-third stake, held by Thyssen, will be transferred to Nirosta to give the special steelmaker 90 per cent of the Mexican company. Acerinox

will hold the remaining 10 per cent. The acquisition gives Nirosta access to the North and South American markets. No financial details were given, but Krupp said Mexinox had annual sales of nearly DM500m (\$292.5m) and net profits of about \$30m in 1995. Tom Burns, Madrid, and Peter Norman, Bonn

Alcatel SEL to sell two plants

Alcatel SEL, the German electronics and engineering company 99 per cent held by Alcatel Althsom of France, has confirmed it is to sell two plants in southern Germany as part of a restructuring plan aimed at helping the group back into profitability. More than 600 jobs will be cut by the sale of a plant in Landshut, Bavaria, which makes motors and ventilation equipment, and another factory in Stuttgart, which makes control equipment. The disposals are part of the company's plans to reduce its staff to 13,700 by the end of this year, down from 16,000 at Frederick Stüdemann, Frankfur

Kvaerner in ship stake sale

Kvaerner, the Norwegian shipbuilding and engineering group, has agreed to sell its 90 per cent share in the cruise ship Royal Majesty, to Norwegian Cruise Line. NCL will pay \$110m in cash, together with 20 per cent of its own stock, valued at about \$80m. For Kvaerner, the sale is part of a disposal of non-core assets.

Under the deal, NCL is to take over the operations of Crown Dynasty, which has been running the 1,000-passenger Royal Majesty. NCL has agreed to commission a new cruise liner from Kvaerner's Masa yard

Since acquiring UK conglomerate Trafalgar House in April 1996. Kvaerner has disposed of assets worth £730m (\$1.18bn), Among these are the Royal Majesty, a fleet of refrigerated freighters and commercial properties including the Ritz Hotel. The company says it is on target to shed £1bn worth of assets within two years. Kvaerner is looking to withdraw from ship-owning and operating to concentrate on core activities of shipbuilding and marine

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Munich.

in Frankfurt

Continental, the world's fourth-largest tyre maker, said yesterday net profits climbed 24 per cent from OM155.2m to DM192.5m (\$112.6m) in 1996, boistered by new products and an extensive restructuring over the past few years.

Profits before tax and extraordinaries jumped 68 per cent from DM195m to and Portugal. DM328m, on a 1.7 per cent rise in turnover from DM10.3hn to DM10.4hn.

"Thanks to the continued restructuring, earnings will probably continue to rise sharply over the next few years.

Analysts also attributed their upbeat outlook to the group's cost-cutting drive, under which it is shifting production from expensive regions in Europe and the IIS to lower-cost sites in the Czech Republic, Thailand

The move is part of a in the replacement tyre busiwider restructuring at Continess kept turnover virtually nental over the last few The results were in line years, during which it has with market expectations. cut about 20 per cent of its The shares closed DM1 workforce. It said restructuring had gathered pace last Mr Georg Stilvzer, analyst Year, with the workforce fallat Vereinsbank Research in ing by 8,151 to 44,767.

commented: Profits in the passenger vehicle tyre division were substantially higher than last time, while turnover increased 3.7 per cent to DM4.2bn, helped by a strong performance in its winter

tyre business In commercial tyres, restructuring costs reduced profits, and sales dropped 8.3 per cent to DM1.1bn. Continental General Tire. the US unit, improved earnings, although a slight drop

unchanged at DM2.1bn. Restructuring led to a sharp improvement in profits at ContiTech, the technical products arm, on a 5.2 per cent increase in turnover

By Neil Buckley in Brussels

domestic product through its

investments, which include

a 23 per cent stake in Koor

industries and 25 per cent of

Clal, two of the country's

largest industrial conglomer-

ates. Hapoalim is obliged,

under banking legislation

introduced last year, to sell

one of these stakes by 1999.

The government is deter-

mined to sell between 25 and

69 per cent of Hapoalim to

The new chief executive of Banque Bruxelles Lambert yesterday refused to rule out a possible alliance with another bank as he warned that the arrival of the euro would impose strains in the next five years.

However, Mr Michel Tilmant, who succeeded Mr Daniel Cardon this year. said that Belgium's thirdbiggest bank would stand alone for now.

He warned that BBL's latest estimate of transition costs to the single currency was BFr2.6bn (\$73.7m). His comments came as the bank announced a 15.1 per cent increase in net profits for 1996 from BFr8.94bn to

of expectations. Mr Tilmant's predecessor

launched the debate over the need for a merger of Belgium's biggest banks to create a financial institution with the clout to compete in a single-currency Europe. BBL held tentative discussions early last year with Générale de Banque, Bel-

authority-owned Crédit Communal de Belgique on such a merger, but the main shareholders failed to agree. Mr Tilmant said yesterday BBL now felt it was strong enough to compete alone in the new environment - but

gium's biggest, and the local

would examine carefully any proposals it received. BBL's share price has profits to BFr17.9bn.

BFr10.29bn - at the top end risen recently amid speculation that the idea of a "Grande Banque Belge'

might be resurrected Mr Tilmant said the costs of the euro would make it difficult to maintain the strong profits growth of recent years - consolidated earnings per share have jumped from BFr157 in 1992 to BFr528 in 1996.

Total operating revenues increased 16 per cent last year to BFr87.1bn, with net interest income up 10 per cent to BFr54.3bn and other income up 27 per cent at BFr32.7bn. Depreciations, write-downs and provisions increased only 5.5 per cent to BFr13.8bn, leading to a 21 per cent increase in pre-tax

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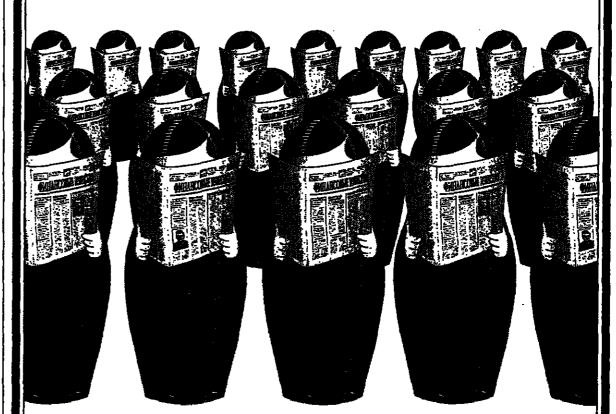
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The Financial Times plans to publish a Survey on

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FINANCIAL TIMES

South Korea's Pohang Iron & Steel (Posco), the world's

global steel prices. Prices for hot-rolled steel products.

20 per cent after peaking in 1985. The decline reflec

hot-rolled steel products by 23 per cent because of

increased competition in Korea as exports declined

Posco shares rose yesterday by Won100 to close at

South Korea's running man, reported a 26 per cent from in second-biggest steelmaker, reported a 26 per cent from in

regarded as a measure of international prices, have fallen

excess supply resulting from a recent expansion of global production. Posco was forced to cut domestic prices for

Although the results were slightly below expectations.

Won-12,000, in anticipation of a rebound in earnings this

year. Posco expects recurring profit to reach Wool 978hn in 1997 against Won784.4bn last year, while sales will

climb 8 per cent to Won9,080hn this year, compared with

per cent increase to Won8,450bn in 1996. Earnings last

materials, including fron ore and coal, which rose on

year were also affected by increased costs for raw

ASIA-PACIFIC NEWS DIGEST

Taiwan chipmaker sees profits halved

By Laura Tyson in Talpei

Semiconductor, the country's leading chipmaker, fell T\$1.50 yesterday to T\$66.00 after the company forecast sharply reduced profits

The world's leading dedicated foundry chipmaker said rapidly rising supply would keep prices under "considerable pressure" this year and that net profits would be less than half the T\$19.4bn (US\$705m) in 1996.

The company also announced the resignation of Mr Don Brooks, its 58year-old president. Who plans to return to the US.

Since Mr Brooks joined Taiwan Semiconductor in 1991, the company has grown at an average annual terms, while profits have grown at an average 108 per has set a target of net sales and other chipmakers had pretty, and the company is predicted that the industry



cent a year. Mr Morris of T\$35.22bn, down 10.6 per Chang, the company's chairman and founder, will take over as president on May 1. The company forecast net profits of T\$9.14bn this year,

Taiwan Semiconductor Lissazin

predicted equally gloomy cent from last year. results. Prices across the Analysts said the downindustry collapsed last year ward revisions were not and are not expected to unexpected given that the recover for some time. semiconductor industry was 52.9 per cent helow 1996. It at the bottom of the cycle. year is not going to be

ve to the Bangkok SET Index

its forecast. But it's still a solid company with a good long-term strategy and its margins will be better than One analyst said: "This those of its competitors." Taiwan Semiconductor

being quite conservative in

Posco down 26% would register growth of 10-15 per cent this year and as steel prices fall that growth in the contract manufacturing market would be greater than this.

Competition has intensified in contract manufacturing as new arrivals in the market have sought to emulate the success of Taiwan Semiconductor. The company said the market faces oversupply and price deterioration this year.

This year the company aims to speed up development of advanced 0.25 micron and 0.18 micron technologies. It also plans to build new capacity in order to maintain annual 30 per cent growth in capacity. expected to reach 500,000 eight-inch wafers this year.

The company aims to keep its lead on competitors' technology by lifting research

average by 4 per cent. Fraud problems hit Piltel

Piltel, the Philippines' leading cellular phone group, yesterday reported a 14 per cent slump in net profits to 710m pesos (\$27m), after heavy losses caused by fraudulent subscribers

Piltel, a subsidiary of Philippine Long Distance Telephone Company, the former state monopoly, saw profits fall from \$20m pesos after it wrote off more than % per cent of its long-term receivables at a cost of 867m esos. The group was forced to cut its total subscriber base by 85,000. Operating expenses jumped from 2.5km pesos to 4.2bn pesos. Earnings per share slipped from 0.89 pesos to 0,56 pesos. Mr Louie Hilado, telecoms analyst in Manila with ING Barings, the investment bank, said: "1996 was a wake-up call for Piltel and other cellular groups. Companies have since taken a lot of action to safeguard their subscriber base, and Piltel is now more cautious, going for quality rather than quantity. Last year was a mad rush for market share.

At current rates of growth, Piltel is set to lose its leading position to Smart, the joint venture between MTT of Japan and Metro Pacific, which is adding about 30,000 subscribers a month compared with Piltel's 20,000. Last year the Philippine market grew dramatically, with the number of new subscribers rising 64 per cent.

PBL hurt by weakness in advertising

By Nikki Tait in Sydney

Publishing and Broadcasting (PBL), the listed Australian media group controlled by Mr Kerry Packer, blamed a soft advertising market for a 3.1 per cent drop in first-half profits.

PBL's after-tax profits fell in the six months to end-December from A\$109.3m to A\$105.9m (US\$83.5m), with earnings per share slipping 3.2 per cent to 20.53 cents.

There were no abnormal charges in the period, while the prior year was boosted by an A\$8.1m surplus. ket share was 38.8 per cent.

This meant a small profits increase at the operating level, from A\$148.2m to A\$159.1m. Total revenue, however, was slightly lower at A\$666.4m. PBL said profits before interest

in all its main divisions were flat. Its television interests - which include Channel Nine, Australia's leading commercial network made A\$106.7m, against A\$105.5m. Gross advertising revenue, after adjustments for different half-year lengths, feli 0.7 per cent, and mar-

little changed, at A\$63.1m compared with A\$63m. Advertising revenue was up 3.4 per cent overall, A\$612.8m, compared with but the group's Australian interests posted a 1.8 per cent decline. Expenses rose 3.2 per cent. but PBL expected the reduction in paper prices to be reflected in the full-

Mr James Packer, managing director and son of Mr Kerry Packer, said advertising remained

In magazines, earnings were also sion's result would be flat, year-onyear, in the second half, although magazines might fare better thanks to falling paper prices, he said. He said the group's "strategic

goals" in relation to the Fairfax group, the Australian newspaper publisher in which it holds a 149 per cent stake, were unchanged. ast November, PBL indicated it wanted to lift its stake in Fairfax, and Mr Kerry Packer has said he would like outright ownership. "very soft, with little prospect of PBL has been unable to pursue second half". The television divi- cross-media ownership rules, but

hoped to close its purchase of the management contract for the Svdney Harbour Casino, the new multi-million dollar gaming property, by mid-year. Australian Provincial Newspa

these are currently under review.

Mr James Packer also said PBL

pers, the listed newspaper, radio and advertising group, announced flat profits in 1996. APN's after-tax profit of A\$26.5m compared with A\$26.4m in 1995. Earnings per share eased from 13.2 cents to 12.3 any significant improvement in the these aims because of Australia's cents, while revenues increased

Peregrine chief urges | Optus confident of relaxation of HK rules flotation this year

By Louise Lucas in Hong Kong

Peregrine Investments 90 per cent rule to be Holdings, the pan-Asian merchant bank, is to press for a relaxation of Hong Kong rules after a single minority shareholder scuppered its moves - most recently that is going to stop with the bid to take Kwong Sang of Asean Resources, a prop- SFC, as the decision to go to Hong private.

Mr Philip Tose, chairman of Peregrine Investments, cent rule has to go back to rules made it "virtually impossible" to succeed.

Some 87.53 per cent of votes cast were in favour of the move, but Hong Kong rules require 90 per cent acceptance. Votes cast represented just 40 per cent of the eligible minority share base, allowing one shareholder with 11m shares - or less than a 2 per cent stake - to quash the plan.

Mr Tose said: "It's an appallingly low turnout; this is why the 90 per cent rule is CCAS, which was launched He is now pressing for the

scrapped, and expects support from the investment and Futures Commission, banking community after the securities market regulathe failure of other similar tor. "Obviously...the buck erty company. He said: "First, the 90 per their instigation," he said.

said his group's failure to 75 per cent [as it was in failure to become wholly 19911, because that's the law erty company private dem- in Bermuda and England, affect its ability to particionstrated that Hong Kong and there's no reason why Hong Kong should be more

the Central "Second, Clearing and Settlement System [where some shares are held] needs to re-evaluate the way it votes on these things. Maybe, instead of abstaining if it does not receive instructions, CCAS should vote with the management or with the independent directors and their financial advisers."

As a board member of

in June 1992, Mr Tose will

begin his discussions there, Optus Communications, before lobbying the stock Australia's second telecoms exchange and the Securities carrier, yesterday said it still hoped to float on the stock market in 1997 - in spite of the complex legal battle it is fighting with Seven Network, the Austra-90 per cent was taken at lian commercial TV group, For Kwong Sang Hong.

counted price.

which is before the courts, owned by Peregrine will caused the estimated A\$4bn (US\$3.2bn) float to be postpate in the increasingly large property projects takponed from 1996. ing place in Hong Kong, and Mr Tose said capital raising Optus and other OV inveswas likely, although not tors have breached a shareholders' agreement. If so,

He also forecast volatility in the company's share price today. "The only people going to be disadvantaged are the shareholders. I believe there's a huge long position in Kwong Sang Hong and a short position in Peregrine, so I imagine KSH is going to get trashed."

meet," he said. Mr Switkowski's remarks came as Optus revealed an after-tax profit of A\$58.9m in the six months to end-December, up from A\$7.2m a year ago. The five-year-old company said revenues grew 31.7 per cent to A\$1.2bn, over Optus Vision, its pay-TV offshoot. with earnings before depreciation, amortisation, inter-The Optus Vision dispute.

The revenue growth was spread across all sectors. In It centres on whether the long-distance market, where Optus competes with the government-owned Telstra group, revenues Seven argues it should be increased 24 per cent to A\$476m and market share allowed to acquire the 98 per cent of OV that it does increased from 16 per cent

A\$189.5m.

not own at a heavily disto 18 per cent. In the mobile market -Mr Ziggy Switkowski, Optus chief executive, said where the competitors are Telstra and Vodafone - revyesterday that 1997 was still enue grew 58 per cent to a fessible date for a float. A\$530m, with the group "The float is clearly on hold. serving 32 per cent of the

A\$309.4m, compared with

Once that legal action is total market and 37 per cent resolved, the board will of digital mobile customers.

Payments to other carriers increased only modestly, by 13.8 per cent to A\$409.1m. This reflects the increasing traffic which Optus is capable of carrying on its own network, thus improving margins. Capital expenditure on Optus's own business was A\$273.4m in the half-year.

est and tax reaching Optus said its share of Optus Vision's losses in the half-year was A\$83.lm. Mr Switkowski described this figure - and subscriber numbers - as "in line with expectations". During the half-year. Optus invested a further A\$246.1m in Optus

> Australis Media, Australia's first pay-TV operator, yesterday announced a A\$108.6m loss for the six months to end-December. The figure, struck before abnormals, compared with a A397.5m loss in the same

period a year earlier.

Woodside Petroleum ahead

Woodside Petroleum, the Australian oil and gas producer that runs the North-West Shelf project off Western Australia, reported a 39.4 per cent increase in after-tax profits last year to A\$195.9m (US\$154.5m). Sales revenues rose 21.2 per cent to A\$737.8m, in part because of higher US dollar prices and increased volumes. These trends were only partly offset by the strengthening Australian dollar. Debt charges also fell significantly, from A\$109.5m to A\$79.4m, as a result of refinancing and lower interest rates. Woodside shares rose 31.7 cents, or 3.5 per cent, to Nikki Tait, Sydney

Wills returns to profit

W.D & H.O. Wills, the Australian cigarette manufacturer controlled by the UK's BAT group, yesterday announced an after-tax profit of A\$13.3m (US\$10.5m) for last year, a turnround from 1995's A\$5.2m loss. The result was before abnormal items of A\$8.2m. Before abnormals and before tax, Wills made a profit of A\$35.3m, compared with a loss of A\$13m in 1995. Sales were 11.1 per cent higher, at

Boral slumps at halfway

Boral, the Australian building products and energy group, yesterday announced a slump in after-tax profit in the half-year to end-December, from A\$169.7m in the same period of 1995 to A\$93.2m (US\$73.5m). Sales were 2.2 per cent higher at A\$2.66bn. The result was partly due to a higher tax bill, although abnormal charges were lower. At the operating level, profits before abnormal charges were down 12.7 per cent, at A\$155.8m.

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1996, 4TH YEAR OF NET INCOME GROWTH: FRF 624 MILLION, +20 %

The Board of Directors of SCOR met on March 5, 1997, under the Chairmanship of Jacques Blondeau, to review the Group's consolidated financial statements and approve the parent company financial statements for 1996.

Scor Grown Consolidated key fix

ocor Group Coris	plication well tree	я¢э
in FRF million)	1995	1996
Gross written premiums	11,848	13,814
Net written premiums	10,184	12,134
Operating result	591	620
Group net income	522	624
Ovestments	26,818	31,957
Net technical reserves	21,711	27,319
Group shareholders' equity	5,146	5,869
Vet earnings per share	19.31	23.00
moloves	1 079	1 164

The wave of concentrations among the world's leading insurers and reinsurers continued in 1996. SCOR has pursued its premium development (+16.6%) through strong organic growth and by acquiring the Allstate Group's US reinsurance portfolio. This acquisition allows SCOR to optimize the Group's capital base and to double its American market share. Return on equity

amounts 11.3%. During the past year, SCOR restructured its shareownership and became the only European reinsurance company to be listed on the New York Stock Exchange.

Parent company

Profit for the year after depreciation, amortization and income taxes, amounted to FRF 339 million. The Board of Directors will recommend at the Annual Meeting of Shareholders to distribute a global dividend of FRF 15, including tax credit (avoir fiscal), which is twice the level of the previous year's dividend.

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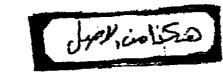
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FINANCIAL TIMES



COMPANIES AND FINANCE: THE AMERICAS

Paribas plans 25% increase in its US workforce

Prices (a) By Tracy Corrigan in New York and George Greham in London

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Barrier and Commencer

cons hit Piltel

Paribas, the French financial group, plans a 25 per cent increase in its US investment banking workforce this year in a move to strengthen its position in capital markets, derivatives and corporate banking.

Mr Andre Levy-Lang, Paribas chairman, said the bank did not subscribe to the conventional view that the investment banking market would soon be dominated by a "global bulge bracket" of five or six leading banks, and that it wanted to be a "global player in seg-

banking market will be dominated by about half the number at Deutsche are playing into that whole culture, five global banks," Mr Lévy-Lang said. Morgan Grenfell. In different areas there will be different dominant banks."

Unlike big European universal banks such as Deutsche Morgan Grenfell and Union Bank of Switzerland, Paribas is not trying to win market share from the US investment banks on their home turf.

Instead, it will focus in the US on specialities, such as trading and distributing European bonds and equities to the relatively small core of institutional investors that dominate that market.

However, Paribas plans to increase If just don't believe that the whole its US staff this year from 800 to 1,000 - five global players in five years time ture its portfolio of equity investments, tries are now boosting departments

lumberyard," said Mr Alain Louvel, out of business," he warned. chief executive officer of Paribas North America, referring to the so-called "two-by-threes" and "three-by-threes" the measurements used to describe the guaranteed multimillion-dollar bonuses and others. But he admitted "you have

to go with the market". Mr Lévy-Lang said he was "definitely bonuses in investment banking, but a year, including Quentin Tarantino's saw no solution.

because they generate this panic that if Belgium and Luxembourg, but buying vate equity, which make substantial "We are trying to stay away from the you don't hire at any price, you will go in Asia, where the bank expects to investments in established but unlisted

While Paribas does not break down its results by geographical area, Mr Levy-Lang said the US operation was "quite profitable in every profit line". The extra staff will reinforce product over a number of years offered by DMG lines in capital markets and derivatives, and expand the corporate banking business in healthcare, media and telecoms. Paribas already helps finance worried about the escalation of about 15 independently produced films

Reservoir Dogs.

invest about \$1bn over the next three

selling off some of its stakes in France,

"On a net basis we will be distrivesting in Europe," Mr Levy-Lang said, noting that only 4 per cent of Paribas' portfolio was currently invested outside Europe.

Large equity stakes in industrial companies have been a feature of the traditional French banque d'affaires. such as Paribas, as they have been of the large German banks.

While the system has been criticised "Bankers who say there will be only
The group is also planning to restruct in the US and UK, banks in both coun-

described as merchant banking or prihusinesses

"Merchant banking is becoming fashionable again. We have enough experience, both good and bad, to know the potential and the risk," Mr Lévy-Lang said. "The higgest risk is to mix up your banking business and your investment business - to try to buy banking business with your equity invest-

He also said banks should not believe they can run a company better than its management, and had to remember basic banking rules about diversifying

CBOT warming to the computer

World's largest futures exchange is recognising the advantages of screen trading

in Chicago and Lon-don are finally jumping on the screen-trading bandwagon, recognising that for odd hours and lowvolume products at least, computers are a cheaper way to trade. No one expects the open-

outcry futures pits at the world's largest derivatives exchanges to disappear soon. Exchanges such as the Chicago Board of Trade, the New York Mercantile Exchange and the London International Financial Futures Exchange are building new trading floors, saying expansion cannot wait until technology manages to duplicate the six seconds it takes for a human voice to complete a futures trade. - However, concessions to

sereen trading are coming Troleum Theid quickly as the industry's volume growth tails off and cost pressures converge. The CBOT, the world's largest and busiest futures exchange is discussing turning out the lights on its 10-year-old night bond-tradthe hustress to its screentrading system, known as

The idea would have ful, it provides a logical prompted mutiny just a year rear-old exchange feared losing their trading jobs to a floors are not operating has sensible use of technology to four to one.



essential trading period. "Everyone knows the exchange and its member firms are losing money on ing session, and switching the night trading session," says Mr Patrick Arbor, CROT chairman. "With Project A becoming so success-

aiternative." Volume on ago: members of the 150- Project A screens, which are open only when the trading computer. Now, however, outpaced the night floor ses-

any significant investment until last year. In addition to eclipsing night pit trading in developed. Chicago, Project A has also

thrown a long-planned futures link between the CBOT and London's Liffe out of kilter. Recognising that technology has progressed since the

link was conceived in 1994. the two exchanges have agreed to allow domestic screens to operate while the the prospect is viewed as a sion this year by a margin of foreign floor trading links are in session. The original cover an expensive but Project A did not receive agreement bad required are looking to Europe for

screen trading to be scaled back as the floor-trading link

Liffe already uses its Automated Pit Trading screens to trade Japanese government bond futures during the day. and sees APT as an important tool in its strategy to become the world's largest futures exchange. Liffe saw more than 5m contracts traded on screen in 1996, a 20 per cent rise on 1995.

Perhaps surprisingly, the US and London exchange

their next generation of technology. Europe's bourses have long been computer ised, offering systems that only need to be modified for derivatives. The Chicago Mercantile Exchange recently signed on to the Paris bourse's screen system, finding this faster and cheaper than building its

But resistance to computer trading at established futures exchanges in Chicago and London remains strong. Member-owners have too deep a stake in the status quo. The switch to electronic trading seems likely to come first in US equity options markets, which have historically been more receptive to new technologies.

The Chicago Board Options Exchange, which lists options on 850 individual companies and 35 equity indices, is already planning for automation. It has con tracted with the Swiss Options and Futures Exchange to build a screenbased system which it expects to introduce next

The system will be used first to move low-volume products off the floor and on to the screen, and to replace RAES, the CBOE's matching system for orders of 10 contracts or less. But it also enables the exchange to automate further, should the

Laurie Morse

Barney's unsecured creditors reject \$240m Dickson offer

By Richard Tomkins in New York

An offer to buy Barney's, the bankrupt New York retailer, for \$240m has been rejected by the company's unsecured creditors as too low.

Lawyers for the creditors' starter", indicating that they were holding out for a better offer from one of the interested parties.

Barney's, an upmarket sighting shot and is expected

Golden Hope

Directors:

department store chain known for its designer clothing, went into chapter 11 bankruptcy protection in January last year after an over-ambitious expansion programme drained it of

The \$240m bid was made committee yesterday at the end of last week by described the offer as "a non-Dickson Concepts, the Hong Kong retailer that controls Harvey Nichols, the fashionable UK department store.

The offer was seen as a

to produce rival bids from other potential suitors, including Saks, the holding company of Saks Fifth Avenue, and the Neiman Marcus unit of Harcourt General.

Mr Lawrence Handelsman a lawyer at the New York firm of Stroock & Stroock & Lavan, said if no satisfactory offer was forthcoming, the creditors would consider taking ownership of the store under their own reorganisa-

Registered Office:

201-A, Jalan Tun Razak,

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Menara PNB

tion plan.

Golden Hope Plantations Berhad

(Incorporated in Molaysia)

(Company No: 29992-U)

Tun Ismail bin Mohamed Ali (Charman) Abdul Rahman bin Ramli Zain Azahari bin Zainal Abidin Mohammad bin Abdullah Howe Yoon Chang

Dr Ng Chong Kin Datuk Maznah binti Abdul Har Megat Dziauddin bin Megat Mahn Abd. Wahab bin Maskan

To the Members.

INTERIM REPORT FOR THE SIX MONTHS ENDED 31ST DECEMBER, 1996

1996 were:		roup		Company 6 months 6 months			
. 1		6 months	;			S	
	ended	ended 31,12,95		ended 31.12.96	ended 31.12.95		
		RM'000		RMP000			
Turnover				92.582		-	
Investment and other income					32,905	(5	
						-	
Operating profit	.161,550	153,462	5	-	48,906	(10	
Associated Companies						-	
Profit before taxation (See Note 1)				44,021	48,906	(10	
Taxation (See Note 2)	48,026	46,628	(3)	11,248	12,055	7	
Profit after taxation but before							
extraordinary items	113,577	111,937	1	32,773	36,851	(11	
Minority interests	5,040	4,310	(17)	-	_	`-	
			_	32,773	36,851	(11	
Extraordinary items (See Note 3)		5,520 (J24113	246		
						•	
Profit attributable to shareholders	108,557	113,147	(4)	32,773	37,097	(12	
NOTES							
1) After charging							
- interest				301	504		
- depreciation	19,698	17,275		2,498	2,330		
2) Taxation includes - current	49 270	47.054		11,248	12.055		
- deferred				11,240	1400		
- associated companies		169		_	_		
3) The extraordinary items comprise:		107					
Gain on compulsory							
land acquisition	_	5,520		_	246		
There were no pre-acquisition profits	included	in the rem	ite for	the half wes			
Tible were no pro noderanou prorto	Шенесс	برب س س	JW 101	-	**************************************		
				6 months			
				ended			
				31.12.96	31.12.95		
Profit after taxation but before extraordin							
as a percentage of turnover				16.1%	19.2%		
Profit after taxation and minority interest				200	400		
extraordinary item as a percentage of s				3.8%	4.0%		
Net earnings per share (in sen)*	h) 4-1 7-2-7-4 1-4 1-4			10.8	10.7		

Net tangible asset backing per share* ____ RM2.82 RM2.71 * The net earnings per share and net tangible asset backing per share are calculated based on the share capital of 1,003,296,499 (1995: 1,002,240,499) shares in issue.

The slight improvement in Group profit is mainly attributable to higher contribution from the property division while lower surplus from plantation and losses of the manufacturing and overseas operations partly negated this increase. The lower surplus from plantation is largely due to lower palm prices although crop production is higher with full contribution from Golden Hope Plantations (Sabah) Sdn. Bhd. (formerly known as BAL Plantations Sdn. Bhd.). Palm prices are currently higher than those achieved during the first half and if this trend continues, plantation profit will be better for the second half. Efforts to improve the performance of the manufacturing and overseas operations are on-going and these two divisions are expected to perform better in the second half. Group profit for the year is anticipated to be maintained at the same level as last year.

HARVESTED CROPS - TONNES

	G	roup
·.	6 months ended 31.12.96	ended
FFB	793,856	684,592
Palm od	154,181	128,842
Palm kemel	44,353	39,035
Rubber	17,122	16,817
Cocoa	2,969	2.053
Сорга	2,388	2,034
DIVIDEND		

An interim dividend of 5 sen less income tax at 30% has been declared in respect of the financial year ending 30th June, 1997. The date of books closure for the interim dividend payment will be amounced soon. COPIES OF THE COMPANY'S INTERIM REPORT

A copy of the Company's Interim Report will be posted to shareholders on 10th March, 1997. Copies will also be available from the Company's registered office and the Branch Registrar, Independent Registrars Group, Bourne House, 34, Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom.

KUALA LUMPUR, 5th March, 1997

By Order of The Board Norlin binti Abdul Samad

Change in maize price hits Maseca

By Deniel Dembey in Mexico City

operations at Grupo Industrini Masaca, one of Mexico's biggest food companies. But sales increased as manufacting ground maize to the com flour in which Maseca

company's revenues for 1996.

try's staple - switched from per cent on the comparable 8 per cent to 192m pesos.

sales during the present year pesos, helped by the compa-might be affected by governny's strong financial posimaize hurt fourth-quarter flour. Subsidies provided

ment-imposed limits on sub-

Maseca reported sales of

The company said that increased 16 per cent to 196m to 701m pesos.

tion. Total debt fell to 961m Changes in the price of sidised tortillas and corn pesos at the end of the year compared with 1.2bn pesos more than 40 per cent of the in September, and the company made net financial For the fourth quarter, gains of 25m pesos for the quarter. For the year as a

turers of tortillas - the coun- 1.3bn pesos (\$163m), up 11 whole, sales soured 42 per cent to 6.1bn pesos, while period. Operating profits fell operating profits jumped 25 per cent to 892m pesos. Net However, net profits profits increased 18 per cent

"Maseca's growth was liming profits to 213m pesos. ited for the quarter because Net profits tumbled 41.5 per corn, which affected the company's subsidy," said Mr lyst at Santander Investment in Mexico City.

Gruma, Maseca's parent

of the impressive increases it cent to 199m pesos at the had in the past, and because company, which has total of changes in the price of debt of 4bn pesos. Rolando Calderón, an ana- of continuing losses at the

company, recorded a 5.6 per Gruma's sales increased 20

Analysts said the results were disappointing because company's packaged tortilla For the year as a whole,

cent increase in sales for the per cent to 11.7bn pesos, quarter to 2.8bn pesos, and while operating profits rose an 8 per cent rise in operat- 36 per cent to 960m pesos.

This announcement appears as a matter of record only. Fame:

> Japan Finance Corporation for Municipal Enterprises (established at Tokyo, Japan)-

> > NLG 300,000,000 5.75 PER CENT. BONDS 1997 DUE 2007

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February 1997

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CVG draws international interest

Venezuela is selling off much of the industrial complex, reports Raymond Collit

orporación Venezolana de Guayana was once the show case of Venezuela's industrial prowess and the cornerstone of the state's development strategy.

But now the industrial complex in Venezuela's south-eastern Guayana region is a financial burden that will be largely privatised, the government says.
Assembled 35 years ago to

supply Venezuela's petrol industry with steel and aluminium, CVG swelled into a state within a state. Its 38 subsidiaries cover activities from mining and forestry to housing and hydro-energy, including the 10,000MW El Guri hydroelectric plant, the world's second largest. On some estimates, CVG accounts for as much as 5 per cent of GDP, or more than one-third of all nonpetroleum exports. Yet ambitious state devel-

opment plans gave way to corruption, inefficiency and debt, eroding CVG's comparative cost advantage. Strapped for cash, CVG is to shed all but three of its

That will leave just the strategic and well-managed hydroelectric company Edelca and the iron and gold mines. Ferrominera and Minerven. Plans to sell Minerven were scrapped following protests by employees and residents in the mining town of Callao.

In spite of its many drawbacks, the aluminium businesses will be the first to be sold in early May, under the lead management of Merrill Lynch. The sale of Sidor, the 3m tonnes a year steel plant, is to follow in June, man-

CONSOLIDATED

Cash and Balances with SAMA

EARNINGS PER SHARE

BALANCE SHEETS



CVG's Sidor, the last important state-owned steel plant in Latin America, will be sold in June

A majority share in the advantages, says Mr Antonio ackage of four companies Azpūrua, the CVG privatisa-hat make up CVG's alumin-tion co-ordinator, interested package of four companies that make up CVG's aluminium concerns will be offered to a pre-selected group of investors, while a 10 per cent stake in each will be reserved for employees and domestic investors.

The world's leading aluminium producers, including Alcoa and Reynolds of the US, Alcan of Canada, Norsk Hydro of Norway, and Daewoo of Korea, have grouped into five consortia to vie for the world's sixth largest aluminium complex, producing 640,000 tonnes a year.

Industry analysts say CVG's site-specific advantage of a cheap and ample supply of raw materials and hydroelectricity allows for the low production costs of \$1,150 a tonne of aluminium, compared with the industry average of \$1,400 a tonne. With such comparative

buyers are willing to invest \$500m to boost production by 180,000 tormes

et CVG's aluminium subsidiary carries \$1.3bm of debt, all of which is to remain on the companies' books. Just over half is owed to international creditors, including Japan's Eximbank. The winning bidder will have to pay back the other half, a \$620m debt to the state, over a five-year

problems may also prove costly. Cleaning up toxic red mud dump sites and the installation of low-emission filters in the aluminium smelters will cost \$110m.

One of the largest obstacles to the aluminium privatisation was apparently over-

FINANCIAL RESULTS

1995

(SR '000)

1,381,650

1996

(SR '000)

1,533,054

come when CVG reached an agreement in principle with Japanese investors holding a 20 per cent stake and veto right in Venalum, the largest of the four companies, with a book value of \$2.2bn.

In exchange for a guaranteed supply of 90,000 tonnes of aluminium a year, the partners agreed to privatisation and future expansion plans, but refused CVG's offers to buy their veto right. The domestic aluminium

processing industry is also eager to secure its supply of raw material. Mr Martin Schoffel, who heads Avial, the chamber of the aluminium industry, wants a minimum 20 per cent equity stake to secure its supply of the raw material. "We have financial backing and are disposed to pay the price of the winning bidder," says Mr Schoffel. Yet most foreign investors are said to oppose

additional equity partners. Venezuelan companies are also demanding an equity stake in Sidor, which sells two-thirds of its steel on the domestic market. Sidor enjoys the same production cost advantages and has lower debt, at \$700m, and lower environmental liabilities, at \$65m, compared with the aluminium busines However, much of its tech-

nology requires a \$650m

investment to modernise,

according to Arthur D. Little, the consulting firm. Sidor is the last important state-owned steel plant in Latin America, and has drawn considerable interest from foreign investors, including Mexican groups Hylsamex, Sicartsa, Imexsa, and Ahmsa-Gan; Usiminas and CSN, of Brazil; Kobe Steel, of Japan; and Dong-kuk Steel Mill, of South

Brazil sets sale price for CVRD

The Brazilian government said yesterday it would sell 45 per cent of voting stock in mining group Companhia Vale do Rio Doce (CVRD) on April 29 for a minimum price of R\$26.67 a share.

The announcement marks a big step forward for Brazil's privatisation programme, which has faced a series of delays caused by political opposition and

The privatisation will be the biggest to date in Latin America and is expected to be followed by sell-offs in electricity and telecommuni cations.

The minimum share price values the company at R\$10.36bn (US\$9.85bn), against current market capitalisation of about R\$12bn. The government plans in total to sell 51 per cent of voting stock, with the April 29 auction to be followed by offers to employees and on local and international stock exchange

The minimum price is above that recommended by two groups of consultants hired to advise the government, who had suggested prices of R\$23.20 and R\$25.87 a share.

Mr António Kandir, planning minister, said a higher level had been set following recent increases in CVRD's share price. Ordinary shares rose from R\$27.00 at the end of December to R\$32.10 yesterday morning, when trad-ing was suspended ahead of

Yesterday's announcement came hours after CVRD released headline results for 1996, showing net profits up from R\$328m to R\$517m according to Brazilian company law, and up from R\$359m to R\$632m when corrected to take account of inflation of about

10 per cent during the year. The minimum price was in line with market expectations of between R\$10bn and R\$11bn. "If anything the price is slightly below what we had expected," said Mr Marcelo Mesonita of Garantia, an investment bank in São Paulo. "It means the auction is more likely to be a success. We can expect a dispute between buyers and a sale price above the mini-

However, doubts remain. Brazil's privatisation comcil is due to announce today a number of amendments to the tender document. Analysts fear the government may place further restrictions on the participation of individual companies in bidding consortia. Restrictions already apply to participation by CVRD's customers and competitors, and the government plans to retain a "golden share".

AMERICAS NEWS DIGEST

Kmart surges in final quarter

Kmart, the US discount store operator struggling to recover from a long period of poor results, yesterday produced a jump in not profits on continuing oper from \$32m to \$235m in the fourth quarter. Earnings pershare were 45 cents, better than the 32 cents expected, and the shares rose \$1. to \$13% in early trading, a rise of per cent. For the full year, the company reported not profits of \$231m on continuing operations compared w a loss of \$80m last time, Mr Floyd Hall, chairman and chief executive, said he had indicated a year ago that Kmart's financial decline had bottomed out and that the company would return to profitability in flacal 1996. These results, which are the best extraines from continuing operations in the past four years, make good on that promise to our shareholders," he said.

One disappointment in the fourth-quarter was a 2 per cent decline in sales from \$9.9bn to \$9.7bn. Mr Hall sald the challenge this year would be to improve mark and operations to drive sales upwards. The profit incre was driven mainly by cost-cutting. Selling, general and administrative expenses fell from 19.7 per cent of fourth-quarter sales to 17.4 per cent, lifting profit may Richard Tomkins New

RBC ahead 12% to C\$399m

A strengthening economy and high capital markets activity helped the Royal Bank of Canada to post a 12 per cent gain in first-quarter net profit, from C\$356m, or CSLOI a share a year earlier, to C\$399m (US\$291.4m) or C\$1.18 a share. Canada's biggest bank said return on equity was 18.9 per cent, up from 18 per cent a year earlier. Domestic profits were up sharply and international results down slightly. The quarter ended a Ianuary excluded a special restructuring charge of ... C\$50m, or 9 cents a share after tax, covering the acquisition of a Canadian brokerage firm last year.

Revenue growth exceeded targets, said Mr John Cleghorn, president. The strongest-performing sectors were investment banking and brokerage, and mutual funds business. Total assets at January 31st were C\$234bn, up from C\$204bn a year earlier.

Placer rejects gold claim:

Placer Dome, the Canadian mining company, has rejected claims by the rival Crystallex International Corporation also from Canada, to the Las Cristinas gold deposit in south-eastern Venezuela, considered one of the largest

gold deposits in the region.

Crystallex said on Monday it acquired rights to two blocks of the property by buying a Venezuelan compa "whose ownership rights have been confirmed by line and binding decisions" of Venezuela's Supreme Court in a joint statement with its partner Corporación Venezolana de Guayana (CVG), the Venezuelan state industrial holding company, Placer Dome said the rulings on which claims by Crystallex to Minera Las Cristinas' title are based were "wholly irrelevant to the right of tenure of [Corporación Venezolana]".

Placer and CVG plan to develop the Las Cristinas property beginning in May at a cost of \$576m. Placer holds a 70 per cent share in the joint venture, which is a key part of its growth strategy. Raymond Colitt, Carec

Loewen back in black

Loewen Group, the Canadian funeral operator, has reported a sharp increase in fourth-quarter operating income. Net earnings were US\$63.9m, or 97 cents a share in the three months to Dec 31, compared with a loss of \$76.7m, or \$1.69, a year earlier. Revenues rose from \$598.5m.to \$908.4m. However, Loewen's bottom ine was dented by outlays of US\$18.7m required to thwait a hostile takeover attempt by Houston-based Service Corporation International. SCI, the world's higgest funeral operator, recently abandoned its bid.

Earnings for 1996 as a whole were \$10.8m, or 13 cents ashare, compared with 1995's loss of \$113.2m, or \$2.35. Last year's loss was due to a pre-tax charge of \$165m to settle a widely publicised lawsuit in Mississippi. Pourth-quarter operating earnings climbed to \$204.1m from \$117.6m, partly reflecting a spate of acquisitions over the past year some of them designed to deflect SCI's pursuit. Acquisitions in 1996 totalled \$1.1bn, and the company forecast it would spend another \$600m-750m this year. Loewen shares gained C\$1 to C\$45.70 at midday in Toronto yesterday.

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Due from Banks 5,851,544 5,139,548 Trading Securities 13.234 77,411 Loans and Advances to Customers (net) 13,849,188 17,381,077 Investment Securities 18,480,082 15,427,510 Fixed Assets (net) 411,829 372,145 Other Assets 1,143,605 L069,119 TOTAL ASSETS 41,282,536 40,848,460 LIABILITIES & SHAREHOLDERS' FUNDS Liabilities Customer Deposits 32,476,265 30,892,145 Due to Banks 2,504,349 4,279,457 Other Liabilities 1,985,402 1,600,082 Total Liabilities 36,966,016 36,771,684 Shareholders' Funds Share Copital 2,400,000 2,400,000 Statutory Reserves 1,561,324 1,329,834 General Reserve 325,000 325,000 Retained Earnings 30,196 21,942 Total Shareholders' Funds 4,316,520 4,076,776 TOTAL LIABILITIES & S'HOLDERS' FUNDS 41,282,536 40,848,460 **CONTRA ACCOUNTS** 57,848,312 50,355,318 Dec 31 Dec 31 CONSOLIDATED 1995 STATEMENTS OF INCOME (SR '000) (SR '000) **OPERATING INCOME** Special Commission Income 1,613.299 1,733,364 Foreign Exchange 76,984 80,693 Gain on Trading Securities 15,753 14,897 Income from Investment Securities 1,124,677 1,165,688 Fees & Income from Banking Services 313,195 314,050 **Total Operating Income** 3,143,908 3,308,692 **OPERATING EXPENSES** Special Commission Expense 1,199,904 1,458,445 Provision for Possible Loan Losses 328,763 127,662 Salaries and Employee Related Costs 478.832 434,136 Rent and Premises Related Costs 62,969 61,084 Depreciation of Fixed Assets 74,300 65,948 Other General and Administrative Expenses 173,457 168,212 **Total Operating Expenses** 2,318,225 2,315,487 **NET OPERATING INCOME** 825,683 993,205 Other Income 95,661 78,478 NET INCOME FOR THE YEAR 921,344 1,071,683

Saudi American Bank announced its results for 1996 with net profits of SR 921 million. While profits were down 14% over 1995, the core business operations of the Bank grow with an increase in operating margin before credit losses of 4%. Commenting on the results, newly appointed Managing Director, Robert Eichfeld said, "SAMBA is a premier banking institution. It occupies a leading position in the banking industry in the region and its destiny, I believe, is woven into the economic well-being of the Kingdom. I am pleased that our basic indicators all remain sound and am confident that we'll be successful in expanding our franchise and in remaining leaders in product innovation." The Bank's total assets at SR 41.3

billion remained close to 1995 levels of SR 40.8 billion, while the loan portfolio of SR 13.8 billion declined by 20% during the year due to increased liquidity in the market. The Managing Director stated that "our increased credit costs are a result of the Bank's policy of maintaining high quality assets. We made sure that at the year end all non-performing assets were covered by reserves. Furthermore, the charge reflects introduction of new consumer products whose life cycles generically have higher credit costs in their earlier stages but which still remain highly profitable." The investment portfolio rose by 20% during 1996 to SR 18.5 billion with a continuing emphasis on Saudi and OECD premier grade government securities. Customer deposits of SR 32.5 billion were 5% higher than at year end 1995. "To forecast strong future business momentum and continuing satisfaction with our capital position, the Board has proposed a net dividend of SR 27.50 per share, up 10% over the prior year," stated Mr. Eichfeld.

البنك السعودي الامريكي (على Saudi American Bank

SR 44.65

SR 38.39

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LEGAL NOTICES

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COMPANIES AND FINANCE: UK

Eagle Star hit by £160m provision for environmental claims on polluted sites

US charge curbs BAT

and Ross Tierray

BAT Industries disappointed the market yesterday when it reported that 1996 profits had been hit by a £160m (\$260.8m) provision for US environmental claims at its Eagle Star insurance subsid-

The charge held group pretax profits to £2.49bn, a rise of 5 per cent, against marketexpectations of between £2.58bn and £2.7bn. The shares fell 18p to 531p.

The group declined to comment further on possible demerger moves or restruct-

with Commercial Union late last year. Lord Cairns, chairman, said: "We will continue to evaluate business oppor-tunities and issues of corporate structure that will enable us to meet them. We have an open mind."

The group said it was still keen to expand its life insurance operations, but had been put off bidding for Scottish Amicable - currently the subject of an auction involving three companies by the price.

One analyst suggested that the environment provi-

activities, though it is an involving Eagle Star, which Farmers, but Eagle Star's open secret that it was has been a long-running disprofits fell to £85m (£220m). appointment for BAT, easier. BAT said the provision reflected a changed method of reserving, based on an analysis of its exposure to

> Underlying pre-tax profit was up 7 per cent, excluding the environment charge and disposal profits. Operating profits, however, fell 2 per cent to £2.6bn (£2.66bn).

certain polluted sites in the

After the provision, trad-ing profits in financial services fell by 3 per cent to £1.02bn. There were strong performances from Allied Dunbar, the UK life operation, and the US insurer.

The opening of new markets in China and eastern Europe continued to benefit BAT's tobacco business. The volume of cigarettes sold worldwide rose 4 per cent. while profits climbed 7 per cent, in local currency terms, to £1.63bn. The share of the world market held by BAT's brands increased from 12.4 per cent to 12.8 per

the Brown & Williamson subsidiary has a 16.6 per cent market share, continued to fall although the market ceased to decline for the

Volumes in the US, where



Lord Cairns: price deterred group from bidding for ScotAm

fillennium business boosts computer groups

The first tangible benefits for companies tackling the problems surrounding computer systems and the millennium time change this would be dwarfed by the emerged yesterday when two requirements likely from computer services groups companies coping with Euroreported a sharp increase in pean Monetary Union.

Focus and Parity said that the millennium problem," likely to be the source of hundreds of millions of Focus. "The cost to industry pounds of revenues for the computer services industry.

"Emu is far more challeng-

while the millennium was said Mr Tony Muller, chief likely to be the source of financial officer of Micro could be very large." Mr Muller's remarks,

which were echoed by Parity, will underline concerns over the ability of computer systems to cope with such fundamental changes in time However, both Micro ing and more complex than and currencies. Last year,

IBM warned of a severe skill shortage to cope with the transition to Emu due to the timing of the millennium, eading to calls for Emu to be postponed until after the millennium.

However, banks and other organisations have generally reacted sceptically to the computer industry warnings. suspecting it is touting for

The rise in millennium-related business helped Millennium business rose from about £1.75m to £4.2m. Micro Focus move into profit Mr Muller forecast this could rise to 30 per cent of revenue during the second half and reduce its annual pre-tax within two years. Micro losses. The latter fell 11 per Focus shares rose 82p to cent to £5.81m (\$9.47m) in the year to January 31. Parity reported a 54 per

Sales slipped slightly cent rise in annual pre-tax to £42m, although they profits to £10.1m, on s recovered strongly in the 26 per cent to £162m. profits to £10.1m, on sales up LEX COMMENT

BAT

The smoke signals emerging from BAT Industries remain typically inscrutable. But it is apparent that a year from now the group could have a different structure and even be facing a different legal enviment in the US. Given the shares' 30 per cent dis-count to the UK market's prospective price/earnings ratio, such moves could add substantial value. BAT's corporate structure is unlikely to change until it transforms its patchy financial services empire.



Rising prices for takeover targets suggest hostile hids are unlikely. But BAT could split off financial services by merging it with a building society - to provide high street distribution for insurance investment products – or bolstering Eagle Star's competitive position by merging with an insurance company. Either way, financial services would be revitalised and released from tobacco litigation concerns.

Removing litigation concerns altogether would be even better. Liggett's offer to settle a lawsuit last year caused panic among its fellow tobacco companies, but it has done them a favour. It put the possibility of an industry-wide settlement on the agenda, and this is now being discussed by US litigants.

BAT could not agree to a resolution that admitted guilt on the part of tobacco companies - that would open the legal floodgates elsewhere. But the stock market is effectively valuing BAT's \$1hn of US tobacco profits at zero. So it could pay out an awful lot and still keep shareholders

NEWS DIGEST

Steel exports help lift ABP to £94m

Higher volumes of steel exports and a pick-up in the car industry helped Associated British Ports, the UK's largest ports group, lift pre-tax profits 6 per cent to £93.5m (\$152m) last year.

The figure was struck after a £3m charge for withdrawing from an engineering joint venture. On an underlying basis it was in line with expectations, while a 19 per cent dividend increase was better than expected. However, the shares fell 121/2p to 306p partly because of

profit-taking after a recent strong rise and partly because of fears about the group's interest in developing its distribution network. Sir Keith Stuart, chairman, said the group wanted to

provide more distribution facilities. He stressed that the move was "not a revolutionary extension of what we have done so successfully in ports". The group maintained its market share of about 24 per

cent with total tonnage handled up 3.3 per cent to 118m Operating profits rose 5.5 per cent to £120.7m after stripping out the loss from Universal Pipe Coaters, its joint venture. A two-way improvement in car traffic helped offset a downturn in lower margin animal feed

Biotech files first product

imports because of BSR.

has filed Zacutex, its first product, for pan-European approval. The pancreas disease drug is likely to be given

the go-ahead for early next year. The company also announced reduced pre-tax losses of £1.55m (\$2.52m) against £4.05m for the third quarter to January 31, reflecting higher interest income from the proceeds of last year's rights issue, and fees from pharmaceuticals companies for collaborations.

The company is now recruiting country managers for Europe in anticipation of the launch of Zacutex. It also plans to submit the drug to the US Food and Drug Administration this year. Lehman Brothers, the stockbroker, is forecasting peak annual sales of \$300m by

Congress Fin buys Burdale

One of the largest US regional banks has bought a majority stake in Burdale Holdings, a small trade finance house, with the aim of using it to create a UK market for sset-based finance.

Congress Financial, a subsidiary of Philadelphia-based CoreStates, is one of the largest US asset-based lenders, providing finance secured against the borrower's stocks or debtors' receivables. It enables companies to raise working capital when their balance sheets and cash flow projections may be too weak for a traditional bank loan. Burdale's share capital is only £2.5m, but Congress's main injection will be access to funding from CoreStates.

BTR in Danish venture

BTR, the manufacturing conglomerate, is linking up with Danfoss Group, Denmark's largest industrial company, in an effort to increase its share of the world's industrial motors market.

Brook Hansen, the BTR offshoot which builds electric motors in Huddersfield, will form a joint venture with Danfoss Drives. The deal gives Brook Hansen access to compact speed-control devices developed by Danfoss, and provides for collaboration in product development. The companies will also co-ordinate worldwide sales efforts, and plan to open a new joint venture plant.

The power drives division accounted for £980m (\$1.6bn) of BTR's £9.78bn of sales during 1995 - Brook Hansen's

Mr Paul Buysse, BTR executive director in charge of developing the division, said the alliance would open up "a wealth of opportunities". Danfoss had sales and service companies in more than 100 countries, which would help market the output from Brook's 52 factories worldwide.

ICI expansion in Asia

ICI yesterday announced the first of a string of Asian joint ventures to convert MDI, a petrochemical which it plans to make in China, into polyurethane parts for

The UK chemicals group will invest \$24m in a plant at Ulsan in South Korea. It will own 60 per cent and provide MDI, one of its two raw materials. The other 40 per cent will belong to Dongsung Chemical, a South Korean manufacturer of polyols and the leading producer of polyurethanes for the footwear market in Asia. Overall, ICI aims to invest \$500m in polyurethane

production in Asia over the next five years. The lion's share of this investment will go into a 100,000 tonne a year MDI plant in Shanghai, China. ICI recently signed a letter of intent for this project, which will sent a total investment of between \$500m and \$600m. with Shanghai Tianyuan Chemical Works and Nippon

BAT INDUSTRIES

Dividend up 8%

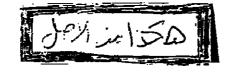
Preliminary results for the year

PRE-TAX PROFIT £2,495m **EARNINGS PER SHARE** 48.6p **BASE DIVIDENDS PER SHARE** 26.0p **Additional FID payment** 3.5p

- After last year's 26 per cent increase in pre-tax profit, progress has been more measured in 1996. Pre-tax profit rose by 5 per cent, after an exceptionally high charge of £160 million in respect of US environmental claims reserving at Eagle Star. The underlying profit from continuing operations increased by 7 per cent.
- Tobacco made further progress, building on 1995's outstanding results, with profit up 7 per cent in local currency at £1,634 million.
- Financial services trading profit was £1,181 million, excluding the US environmental. run-off claims, with excellent performances from Farmers and Allied Dunbar.
- "Looking forward, both our businesses have an excellent future. Our twin goals are to improve the long term growth prospects of our businesses and to increase shareholder value. We continue to evaluate business opportunities and issues of corporate structure that will enable us to meet them."

Lord Cairns, Chairman

Full financial statements for the year ended 31/12/96 will be delivered to the Registrar of Companies and carry an unqualified audit report



Cadbury unwraps plan for £1bn buys after stake sale

Cadbury Schweppes is ready to spend up to £1bn (\$1.63bn) on acquisitions following last month's £623m sale of its 51 per cent stake in Coca-Cola Schweppes Beverages, the UK bottling opera-

Shares in the confectionery and soft drinks group rose 19p to 529p yesterday after it reported a 16 per cent lift in annual pre-tax profits to £592m - at the top end of expectations.

cash flow, coupled with the CCSB sale proceeds, had given it the flexibility to make further acquisitions if the right opportunity arose

Mr John Sunderland, chief executive since September, pointed out that the world's top three soft drinks groups accounted for 80 per cent of global sales, while the top six confectionery groups accounted for only 40 per cent. "Clearly there is more potential in confectionery than beverages," he said.

outcome as "a strong performance" from both core business streams. The new management team was tackling the strategic issues and 1997 had

started well. Group sales rose from £4.78bn to \$5.12bn, with beverage sales at \$2.88bn (£2.81bn) and confectionery at £2.24bn (£1.97bn).

Trading profits at the confectionery division rose 11 per cent to £257m, and at beverages by 9 per cent to £445m.

In North America, beverage trading profits were 14 per cent higher at £210m. Volume sales of Dr Pepper grew by 4 per cent, while Seven Up volumes were down 1.9 per cent. Mr Sunderland said confidence had been restored in Seven Up at both bottler and consumer levels. Sales, after many years of decline, were I per cent higher this

Beverage trading profits were ahead in all regions except Europe, hit by poor weather and a loss in Portugal.

trading profits up £10m to £118m. Mr £100m to £137m, and borrowings were sunderland said market share had increased for the third conservation. In confectionery, Cadbury UK mixed. increased volumes by 5 per cent, taking Under year for the first time since 1957. Fuse, launched in September, had joined the Mars bar and KitKat in the top three UK chocolate bar brands.

Trading profits at CCSB – sold to Coca-Cola Enterprises last month – were 3 per cent higher at £124m.

Pro forma gearing after the CCSB sale fell from 92 to 47 per cent. Interest payable of £110m (£116m) was covered 6 times. Earnings per share were up to 34.1p (31.3p). A final dividend of 11.8p is In developing markets including proposed, taking the total to 17p (16p).

	Torso	ur (Ein)		-tex t (£sa)	B P	S (p)	Current payment (p)	Date of payment	Dividends - Corresponding dividend	Total for year	Total la year
Acom Compoter Yr to Dec 31 *	30	(38.5)	6.3L♠	(12.6L♣)	7L	(14.BL.)	-	-	-	-	-
Ameo Ø Yr to Dec 31 ★	0.152	(0.098)	3.75	(1.2)	19.6	(7.9)	4 -	July 1	3.5	6	5
Assoc Brit Ports	247.2	(235.9)	93.5	(88.4)	18.4	(17.5)	4,25	May 1	3.5	7.75	6.5
SAT tods Yr to Dec 31	24,472	(23, 376)	2.495	(2,384🏟)	48.6	(47.7)	19.5天	July 1	18.44犬	29.5景	27.69
SICC Yr to Dec 31	4.668	(4.382)	64	(67L♠)	3.2L†	(36.3L)	8.5	July 1	8.5	12.5	12.5
British Biotech 9 mits to Jan 31	9.32	(8.19.)	17.6L	(15L)	2.9L†	(3.1L)	-	-		-	-
WD Yr to Nov 30	15.9	(14.7)	2.54	(2.52)	8.6	(8.3)	4	Apr 11	3.3	6	5
Sadiumy Schweppes Yr to Dec 28	5.115	(4.776)	5924	(5264)	34.1†	(31.3)	11.8	May 23	11.1	17	16
inelist 6 mths to Dec 31	87.2	(52.6)	7.11	(4.05)	10.31	(8.2 1	2.2	Apr 7	1.9		6.4
ITV Yr to Dec 31	139.3	(135)	9.94	(12.14)	8.5	(10.5)	2.75	May 30	2.5	4.15	3.75
Note: Bulletin Yr to Dec 31	22.9	(19.8)	5.08	(4.23)	34,4	(28.3)	14.2	Apr 18	11.2	20	16
Micro Focus Yr to Jen 31	73.1	(77.3)	5.81L	(6.54L)	48L	(43.6L)	-		-	-	-
Parity Yr to Dec 31	162.1	(127.7)	10.1	(6.54)	15.81	(10.34)	28	July 3	1.5	4	25
Stat-Plas Yr to Dec 31	13.9	(14.)	3.74	(3.85)	12.981	(12.1.)	6.156	May 22	5.7	11.286	10.4
75 Yr to Dec 31	1.956	(2.092)	338.31▲	(120.14)	75.4L	(13.3)	π ab ∦	-	3	3	6
race Computers 6 mits to Nov 30	9.74	(10.3)	0.145	(0.05L)	1.03	(0.35L)	пŧ	•	nii	-	nil
nvestment Trusts	RAN	f (p)		estable gs. (2:11)	·Br	(p)	Current payment (p)	Date of payment	Corresponding dhidesid	Total for year	Total ta year
tamilington Dual 6 mits to Jan 31	226.2	(187.7)	0.762	(0.859.)	3.31	(3.73)	1.75♦	Apr 30	1.75	-	7.1
F Earc Utilities 6 mths to Jan 31	132,74	(101.25)	0,126	(0.343)	1.19	. (3.22 j	2.1	Apr 15	2.1	-	5.1
os 6 mths to Jan 31	306.46	(258.13)	0.354	(0.39)	5.47	(6.02)	3.15§	Apr 11	2.95	-	13.6§
cottish Asian 6 miles to Jan 31 *	346.1	(370.1)	0.3481.	(0.33L)	1.2L	(1.8L)	•	٠.	-	-	-
econd Market	597	(525.7)	0.766	(0.905)	7.18	(8.48)	6	May 9	5.9	6	5.9
yndicate Capital 6 mths to Dec 31	111.7	1103.4	0.999	(0.61)	2.01	(1.88.1)	1.25	Apr 8	1	-	2.79



BICC, the cables and construction group, yesterday announced plans to accelerate its investment in data and telecommunications cables as part of a £200m (\$326m) expansion

BICC in cables expansion

The company, reporting a swing back into profit after greatly reduced exceptional charges, said it would increase spending on higher margin cable operations by 40 per cent this year. Mr Alan Jones, chief executive, said the plans marked a watershed for BICC between restructuring - which has cost the company £241m in the past two years - and an Alan Jones: 'watershed' plan expansion phase.

"We have moved out of the which reported operating mimodity cables industry profits of £15m (£9m) and commodity cables industry and virtually completed the necessary rationalisation; now we can go forward," he

after BICC reported a jump, after exceptionals, from a pre-tax loss of £67m in 1995 to profits of £64m last year. Profits before exceptional items increased to £129m (£109m) on modestly a loss of £14m. improved sales of £4.24bn Mr Jones blan

(£4.06bn). Mr Jones, appointed two years ago to overhaul BICC, said the benefits of his rationalisation programme were beginning to show through, particularly in the North American and European cable operations - £94m (£79m) respectively.

He expressed disappointment, however, at the performance of Balfour Beatty, the Mr Jones was speaking construction arm, where profits fell from £18m to £10m Had it not been for contributions from its railtrack renewal and maintenance companies, Balfour Beatty would have reported

> Mr Jones blamed that deflcit on the cost of settling lossmaking contracts in the US, where it has withdrawn from general construction.

> Improved cash generation and the proceeds of a £170m rights issue last September helped reduce year-end net debt from £305m to £80m.

BEVERAGE

A STRONG YEAR OF GROWTH AND DEVELOPMENT

Cadbury Schweppes produced record turnover, profits, margins and earnings and generated £137m free cash in 1996 against a background of organic expansion and acquisition.

1996	RESULTS		
	1996 £m	1995 £m	% Change
Sales	5,115	4,776	+ 7
Trading Profit	671	600	+12
Pre-Tax Profit	592	511	+16
Underlying Free Cash Flow	137	100	+37
. •	Pence	Pence	
Earnings per Share (FRS 3)	34.1	31.3	+ 9
Underlying EPS'	34.1	29.9	+14
Dividend per Share	17.0	16.0	+ 6

makes a total of 17p per share for the year. Excluding disposal profits in 1995 of £15 million (£14 million after tax).

We are a truly global business operating in growth markets all around the world. In the US, Dr Pepper continues to outperform the soft drinks market and it is being launched internationally into new markets such as Mexico, Australia and Russia.

1996 saw outstanding performances by our core confectionery companies with product innovation the key to growth in most of our major markets.

At this early stage in the year we are confident of further growth and success in 1997 despite the impact of the stronger pound."





MANAGEMENT PROVEN IN THE MARKETPLACE

T&N's claims charge is £515m

By Tim Burt

T&N, the motor components and specialist engineering group, yesterday attempted to draw a line under its past as one of the UK's largest asbestos producers by one-off charges dwarfed a 15 announcing a £515m (\$839m) charge to cover personal from continuing operations injury claims and insurance-

The company – which last November unveiled an innovative insurance scheme to provide £500m of asbestos cover - said the move would said the decline was tempoenable it next year to report rary, caused by aggressive its first set of "asbestos-free" figures. It also announced a costs and pricing pressures. £25m exceptional charge to cover financing options over

49.99 per cent of Kolbenschmidt, the German pistons

Total exceptional items of £540m left the group with pre-tax losses of £388m, against profits of £120m. The per cent decline in profits - down from £204m to £172.5m on slightly improved

sales of £1.89bn (£1.85bn). That cut operating margins from 11 to 9 per cent. Sir Colin Hope, chairman, destocking, rationalisation



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BRIDGE FUTURES MARKET DATAKIT FROM \$570



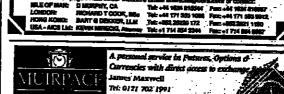
Freephone FUTURES PAGER

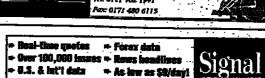






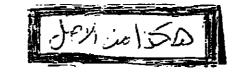






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Treasuries stable ahead of Greenspan speech

GOVERNMENT BONDS

By Richard Waters in New York and

US bond prices stabilised

yesterday after a slide which has seen the yield on longdated Treasuries rise more than 30 basis points over the past two weeks. A cautious sense of calm descended on the fixed

income markets ahead of Mr Alan Greenspan's scheduled afternoon appearance before a House committee.

But an advanced text of Mr Greenspan's prepared comments suggested the Federal Reserve chairman would not change materially the view he has presented in recent days: that the pressure building in the US labour market would force Prices of other benchmark Greenspan's testimony and ernment moved swiftly to

Bank of England sets formula for securities and loan repo rate

But many European mar-

kets were hit by a round of

rumours on European mone-

tary union, said to be that Mr Helmut Kohl, the Ger-

man chancellor, was to

announce a delay in the introduction of the single

currency. The German gov-

later this week.

ties starting today, Richard Adams writes. The rate is the same as the Bank's current daily money market repos. The Bank said the premium rate set will in future be the stated

Early losses in Europe

were reversed after trading

began in New York, leaving

prices of bonds at most maturities virtually where

By midday, the long bond

they had been on Tuesday.

was trading & higher at 96%, for a yield of 6.862 per cent.

repo rate currently applied by the

for any rebound in inflation. close to their levels of late

This replaces the Bank's previous lent of the lowest rate of discount at

The Bank of England will set a rate of 6 per cent on its security-repurchase and secured-loan faciliabout two weeks.

Bank in the course of its daily open and 38 days in its daily operations. For the Bank's regular bi-monthly repurchase about two weeks. will mature on March 20, 21 and 24, arrangement, when the premium while the five-week option will rate was normally the yield equivamature on April 10, 11 and 14. In its daily operations, the Bank which the Bank bought bills with a yesterday offered a fixed-rate round remaining maturity of between five at 6 per cent. The operations com-

not before some sharp falls

were seen on a number of

Mr Mark Fox, fixed-income

tells you something pretty

significant when people take these rumours seriously."

European markets.

prised repos to March 18 and 19, and outright offers of bills to mature on or before March 19. The Bank has announced the issue of Eculbn worth of Treasury bills to be tendered on March 11, with Ecu200m to mature on April 10. Ecu500m on June 12, and Ecu300m

the Fed to stay on the alert bonds were also trading the US employment data snuff out the rumour, but with domestic buying and interest from overseas investors, looking to "bottompick" for bargains. BTP future contracts trad-

strategist at Lehman ing on Liffe touched a high Brothers in London, said: "It of 127.58, but ended the day of 127.58, but ended the day down heavily, settling at 126.49, a fall of 1.29. Cash BTPs also saw their prices The Italian BTP market fall, with the 10-year benchstarted the day brightly, mark down 1.16 to 101.83, yielding 6.70 per cent.

with its yield rising 17 basis points to 7.48 per cent. The yield spread of BTPs against benchmark 10-year German bunds rose four ticks to 196 basis points. German bunds tumbled

towards the end of trading in Europe, as fourth-quarter GDP figures and export data suggested the German economy was in better shape than some analysts had pre-dicted. The 10-year benchmark feli 0.99 to 102.48, the yield rising 13 basts points to 5.66 per cent. June bund futures feli 0.66 to 101.80. French, Belgium, Dutch

and Spanish paper followed bunds downwards, while UK The best performing Euro-

pean market was Portugal, whose 10-year benchmark remained unchanged at 118.5

options deal with

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The New York Stock

Exchange has agreed to sell its options business to the Chicago Board Options Exchange for \$5m. so leaving the derivatives business. The NYSE never managed to wrestle significant market share from the CBOE and the American Stock Exchange after it entered the options business in 1983. The decision to shed options was made last year, after a strategic review recommended the NYSE focus on its core business of share trading, a spokesman said. The NYSE, which offers options on 260 individual companies, captures less than 2 per cent of volume in US options dealing. That is a sharp contrast to its dominance in share trading, where its daily turnover of about 430m shares gives it the biggest equity-trading

franchise in the world. The CBOE said up to 50 New York options traders and market-makers will move to Chicago, where trading on the NYSE options is expected to begin on April 28, pending certain regulatory approvals. The marketmakers have been assured they can keep their current trading assignments for a

seven-year period. The Chicago exchange will refit an employee restaurant as a trading floor to accommodate the new business, and hopes eventually to move it to its main trading

The CBOE is already the world's largest options exchange, and currently offers options on shares of 850 companies as well as 35 different equity indices.

Trio of World Bank issues

INTERNATIONAL BONDS

By Conner Middelmann

The World Bank went on a small borrowing binge yesterday, launching a trio of eurobonds denominated in many, Switzerland, Italy, South African rand, sterling

and Czech koruna. The most innovative of the deals was the rand issue, only the second zero-coupon issued so far this year. This bond to surface in this curhas been spurred in part by rency and, with a maturity of 20 years, by far the longest-dated euro-rand

transaction to date. The bank issued R2.5bn of bonds due April 2017 at a decided to roll over their deeply discounted price of rand holdings. 7.45 per cent of face value. At the 7.05 net price to the syndicate, the bonds yield 14.18 per cent to maturity.

The issue follows a 10-year zero-coupon bond for the 1996, it fell as low as R4.75 International Financing Cor-

bled in size to R800m due to strong investor demand. According to Hambros Bank, the lead manager, the deal saw good demand from retail intermediaries and some institutions in Ger-

Austria and the UK. Euro-rand issuance has been booming in recent weeks, with some R5.5bn nearly R2bn in redemptions of bonds whose holders are thought to have experienced substantial currency losses over the past year and

The rand has been recovering recently from the lows it plumbed last year. Trading at R3.62 against the US dollar at the beginning of last December.

buoyed by supportive ecoeign exchange reserves. Yes-

the day before. Two-year

notes were unchanged at

9917, yielding 6.112 per cent,

while five-year Treasuries were is lower at 99% for a yield of 6.428 per cent.

European bond markets were also sluggish for much

of the day ahead of Mr

The World Bank's other two transactions were £300m of three-year bonds via Nomura, targeted mainly at Japanese investors, and Kē2bn of one-year bonds via ING Barines.

While the dollar sector was subdued by pervousness over Federal Reserve chairman Mr Alan Greenspan's Humphrey-Hawkins testimony, the sterling sector had another busy day.

The US Federal National increased its recently launched sterling issue, the first-ever global sterling bond, by a further £250m to £1.25bn via BZW and Merrill Lynch. Since the deal had

1.09 0.82 0.58

127.55

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

CALLS

128.49

NOTIONAL SPANISH BOND FUTURES (MEFF) Open Sett price Change

111.75 111.93

2.33

Italy

28 BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

1.34 1.12 0.93

-0.91 -0.70

-0.55 -0.59

Open Sett pnce Change High Low Est. vol

Mar 112-18 111-27 -0-25 112-17 111-23 37428

Jun 112-01 111-11 -0-24 112-01 111-06 94525
■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFTE) Lira200m 100ths of 100%

127.58 126.80

High

1.84 2.06

Low

112.44 111.53 156,477 56,830 112.52 111.74 3,982 24,378

Low Est. vol Open int. 117-23 37428 76060 117-06 34525 184598

nomic data and growing for- outstanding in the marketplace," said Mr John Thel.oterday it was trading at sen, vice-president, debt marketing at Fannie Mae in Washington.

The bonds were initially launched at a spread of 10 basis points over gilts, which tightened to 8 basis points, at which yesterday's increase was priced.

Venantius, the agency set up by the Swedish government to manage state housfive-year bonds via BZW and Salomon Brothers. The bonds, priced to yield 25 basis points over gilts, were Mortgage Corporation aimed at medium-sized institutions in continental Europe, the leads said.

New Zealand issued £100m of three-year bonds to refinance maturing debt. The bonds, priced to vield 10 been oversubscribed when it basis points over gilts, were was first launched, "we placed largely with Eurodecided to reopen it as we pean retail investors,

Est vol Open int.

2.73 2.95

Est. vol. Open Int.

93641 1741

Borrower	<u>.</u>	Соврен		Majority	Fees %	Spread bp	Book-runner
EUS DOLLARS		<u></u>	er e		A		
SGZ Bankt	250 200 80	(a)	99.714R 99.454R	Mar 2004	0.80R	+193(5% %-0 4	HSBC Markets I) ING Barings IBJ Inti/New Jepan
E D-MARKS				= %		·	
Banque Generale du Lux(s)	100	5.125	99.90R			+16(6%Sep03	
E STEPLING		4.	e'.•.'.∑'	M. Oak		. , <u>2</u> -12-	
World Benic≠ Fed National Mitge Assoc(b,s) Venantius(s) New Zeeland	300 250 125 100	6.10# 6.875 7.25 6.625	100.20 99.524R 99.87R 99.618R	Dec 2002	0.25R	+8(7%Jun02) +25(7%Jun02	Nomura International) 82W/Memili Lynch 2) 8ZW/Salomon Brothers 7) Barcksys de Zoete Wedd
E SWISS FRANCE		?					
Hokunku Electric Ind*	85	3.00	101.75	Mar 2001	1.375		Dai-Ichi KB(Schweiz)
■ GUILDERS - +		. —					
Ned Waterschapsbank	300	5.625	99.86R				7)Rabobank International
M AUSTRALIAN DOLLARS:	ور		1 - ****.		·	£ £. 1. 7	
Municipality Finance#	85	6.60#		Sep 2000	1.20	-	IBJ Inti/New Japan Secs
SOUTH AFRICAN RAND		<u> 3</u> 2	• • •	1. 1.	: 7£7		
World Bank	2.5bn	29f0	7.45	Apr 2017	0.50	-	Hambros Bank
E CZECH KORUNA	:	• • • •	":∵ <u>-</u> ':		x^{*}	'	\$100 miles
World Bank KIW International Finance	2bn 1bn	10.75 11.00	100.00R 100.94\$	Mar 1998 Mar 1998	0.15R 1.00		ING Barings WoodCommerz

This items, non-calable breas sound. Tight spread (over revealing overnment correct at sunior) supplied by less manager. *Unlisted. ‡ Reathgrate note. Semi-armusl coupon. R: Fixed re-offer price; fees shown at re-offer level. a) 3-man Libor flat. b) Fungible with £1bn. Plus 21 days accrued. a) Short 1st coupon.

lead BZW said. • The National Bank of

also expected from Japan, cent. AP-Dow Jones reports. day that it is offering Y50bn

although some demand was with a coupon of 2.75 per on debt service costs compared with older, higher-The bank said the low interest issues. The stateinterest rate on the bonds - ment did not include a spe-Hungary confirmed yester- yen-denominated bonds cific estimate of the savings. issued by foreign borrowers. The lead manager of the of seven-year Samurai bonds in Japan - would help save issue is Daiwa Securities.

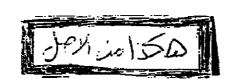
Australia		S	Red		SONDS			
		Coupon	Date	Price	Day's change	Yield	Week ago	Mont
		6.750	11/05	92,7826	+0.448	7.82	7.68	7.46
Austria		5.625	01/07	99.8300	-0.830	5.65	5.59	5.83
Belakım		6.250	03/07	103,8100	-1.010	5.74	5.71	5.74
Canada *		7.000	12/06	103,8600	-0.540	6.46	6.31	6.72
Denmark		8.000	03/06	111.2600	-0,760	6.33	6.28	6.45
France	BTAN	5.500	10/01	104.2313	-0.380	4.48	4.40	4.51
	OAT	6.500	10/08	107.4600	-0.910	5.49	5.39	5.62
Germany I	Bund	5.000	01/07	102,4800	-0.990	5.66	5.59	5.79
Ireland		8.000	08/06	109.6500	-0.770	6.59	6.42	6.63
italy		7.750	11/06			7.48t	7.17	7,14
Japan	No 143	6.300	09/01	121.3119	-0.050	1.37	1,37	1.40
	No 182	3.000	09/05	104_2356	-	2.41	2,38	2.40
Netherland	is.	5.750	01/07	101.5800	-0.800	5.41	5.36	5.60
Portugal		9.500	02/06	118.5000	-	6.70	6.70	6.65
Spain		7.350	03/07	101.9000	-0.880	7.01	6.77	6.74
Sweden		8.000	08/07	108.2688	-0.080	6.86	6.74	6.81
UK Gas		8.000	12/00	103-23	-6/32	6.86	6.78	6.56
		7.500	12/06	101-11	-25/32	7.30	7.23	7.46
		9.000	10/08	112-13	-28/32	7.39	7.32	7.55
US Treasu	sy -	6.250	02/07	97-13	-14/32	6.61	6.48	6.59
F791 F		6.625	02/27	96-29	-20/32	6.87	6.73	5.91
ECU (Frenci	-	7.000	04/06	107.1500	-0.590	5.96	5.83	5.96
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	UK in 32nds						MMS Inte	maile.
US IN1	TERES	T RAT	ES					
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	ate	84 Tw	e menit ee menth.		- Thes	é year year		_ 64 _ 64

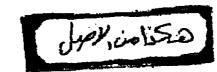
	Open	Sett price	Change	High	Low	Est. vol.	Open int
Mar	131.88	131,54	-0.58	131.88	131.40	173,494	115,737
Jun	130.64	130.30	-0.58	130.64	130.18	28,693	36,883
Sep	129.00	128.66	-0.58	129.00	129.00	2	1,820
E LONG	TERM FR	ench bái	ID OPTIC	TAM) SHC	IF)	_	
Strike		CAL	LS			PUTS	
Price	Apr	r Maa	у	מעל	Apr	May	Jun
128	2.3	9 -	2	2.80	0.09	0.26	0.52
129	1.5	2 -	2	2.07	0.22	0.47	0.78
130	0.79	9 1.1	1 1	.40	0.49	0.81	1.10
131	0.21	B 0.6	0 0	1.86	0.98	1.30	1.56
132	Q.CI	0.2	9 ().51	1.78	1.98	2.20
Est, vol. to	tal, Calls 14,21	11 Puls 9,954	. Previous	day's open	int., Calla 95,	091 Puts 11	8.834.
Germ	any						
NOTE	ONAL GERI	MAN BUNE	FUTUR	ES (LIFFE	DM250,0	00 100ths	of 100%
	Open	Sett price	Change	High	Low	Fet wol	Open int
	-pui	-	•				•
Mar	103.26	103.06	-0.22	103.30	103.02	42400	47718

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												ike ·	•			CALL					PUTS -	
BOND	FUTU	RES	AN	ÐO	PTIQI	15					Pri			pr	May			Sep	Apr	May		Sep
											11		0-		1-34	1-			0-36	1-12		2-34
											11:	_	0-		1-03	1-4			1-06	1-45		3-05
											11:	-	0-		0-43	0-6			1-53	2-21		3-45
Evene											Est	. WOL B	otel, C	alls 38	99 Pubs	2065.	Previous	day's o	pen mt.	. Caffs (4592 Puts	25754
France	-										_											
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	Open	Sett p	rice	Chang	e Hig	1	Low	Est. vol.	Open	ire.	•	ECU I	BOND	FUT	RES	MATI	F) ECU1	00.000				
Mar	131.88	131.	54	-0.58	131.	ia 1	31.40	173,494	115.7	737	_		_	ben	Sett s	nce (Change	High	1	Low	Fst vol	Open int.
Jun	130.64	130.		-0.58			30.18	28.893	36.8		Ma	_		7.20	97.		-0.30	97.3		97.08	2.405	8.264
Sep	129.00	128.		-0.58			29.00	2	1.8		Ju			5.20 5.80	95.		-0.34	95.8		95.80	2,465 1	5.52
E LONG	TERM FE			D 027					•		-	•	-	3.66	80.	-	~~~	33.0		32.50	•	302
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Strike			CALL		<u> </u>			PUTS -		•	Ų	_										
Price	Ap		May	,	Jun	Αp		May	Jun	-		US TR	YEAS	URY E	IOND	FUTU	RES (CE	3T) \$100	0,000 (32nds o	d 100%	
128	2.3		-		2.80	0.0		0.26	0.52				0	pen	Late	est I	Change	High	,	Love	Est. vol.	Open int.
129	1.5				2.07 1.40	0.2		0.47 0.81	0.78		Ma	_		0-05	110-		-0-04	T10-1		10-00	27.092	200.042
130 131	0.7 0.2		1.11 0.60		0.86	0.4		1.30	1.10 1.58		Je			9_23	109-	_	-0-04	109-2		09-16	337.099	
132	0.0		0.00		0.51	1.7		1.98	2.20		Se			9-04	109-		-0-03	103-1		09-12	5,194	11.759
Est, vol. total		_					_			•											0,.0	,,,
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THURSDAY W.

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CURRENCIES AND

Dollar remains currency of choice

MARKETS REPORT

The dollar firmed against the D-Mark and retained most of its galus of Tuesday against the yen, despite a flood of fair economic data from Germany and a fresh sign that Washington was trade deficit with Japan.

Foreign exchange strate-gists said the dollar's sturdiness in the face of this news showed how confident the market remains in the US currency. The dollar is well underpinned on any setunderpinned on any set- a delay has been rife in the back," said Mr Kit Juckes, markets for weeks. currency strategist at Nat-

West Markets in London. product and industrial production figures suggested that the economy was recovering, apart from the damage done to construction by a cold January. The news sent German bunds lower as traders decided the Bundes-

bank might raise interest on Tuesday night the US rates before long. But the would be "very watchful" on D-Mark closed 0.2 pfennigs its trade deficit with Japan. down against the dollar in London at DM1.711. Against the yen the D-Mark hit eight-Y70.89, down from Y71.27.

New rumours that European monetary union was to be delayed falled to buoy the worried about its growing D-Mark. The rumours yesterday that its trade surstemmed from a report in a German bourse newsletter which said that Mr Helmut Kohl, the country's chancellor, was seeking a delay to Emu or that he was about to resign over the issue. Talk of

The yen gained, Y0.5 against the dollar to Y121.3 German gross domestic after Mr Robert Rubin, the US treasury secretary, said

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ter 5	~Latest—	Prev, close	_
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ут ∙ .	1.6033	1.6039	
		•	

The dollar had risen Y0.9 on Tuesday before he spoke.

The markets now believe month lows, closing at there may be pressure building in Washington to stop the yen's fall, which has boosted Japan's exports and hurt US imports. Japan said plus rose 53 per cent year-onyear in the first 20 days of February.

Trading was subdued yes terday as the market waited for Mr Alan Greenspan, chairman of the Federal Reserve, to start the second part of his Humphrey-Hawkins testimony in the US after the London close. However, his testimony was unchanged from last week.

Sterling slipped on profittaking. It lost 0.9 pfennigs against the German currency to DM2.755 and 0.7 cents against the dollar to \$1.610.

As expected, Mr Kenneth

Dollar' . Against the yen (V per \$)

left UK base rates unchanged after his monetary policy meeting yesterday with Mr Eddie George, Bank of England governor.

Washington may slowly be moving away from its support for a strong dollar. usually says about curren-

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DOLLAR SPOT FO

cies is that he wants his own that Emu would be delayed to be strong. So his com- hardly moved the market. ments on Tuesday night This is partly because such about Japan's growing trade rumours have been around surplus surprised the mar- for weeks. But Mr Daniel ket. They dovetailed with Almeida, global head of forwarnings about the surplus eign exchange trading at issued last week by his dep- Deutsche Morgan Grenfell in uty, Mr Lawrence Summers. London, suggests two other

Mr Paul Meggyesi, senior reasons why currencies are currency economist at Deut-shrugging off Emu talk. sche Morgan Grenfell in London, said Mr Rubin's com- no competitive advantage to ments may be a sign that the US administration is a decision has to be made. now saying, 'Enough is In other words, no European enough for the dollar. The US feels it has done sufficient to help the Japanese economy up by driving the dollar up against the yen."

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5.3 119.82 -1.4 2.481 -1.9 1.4304 -0.1 3.7511 1.8 1.421 -11.0 4.6677

Firstly, he says, "There is making any decision before leaders have yet decided whether Emu will go ahead on time and which countries will join it. So traders too are sitting tight.

Secondly, says mies are converging as mem ber states do their best to meet the fiscal criteria for Emu set out in the Maastricht treaty. Most of the economies are at similar stages in the cycle. That helps keep their currencies stable against one another.

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Apr	96.80	96.79	-0.02	96,60	96.79	200	4500
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Mer	92.68	92.65	-0.01	92.89	92.62	12002	6487
Jun	93.12	93.07	-0.03	83.15	93.00	34817	10662
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Mar	98.25	98.16	-0.11	98.26	98,15	6607	2979
Jun	98.31	98.17	-0.14	98.31	98.17	30140	4388
Sep	98.27	88.15	-0.12	98.27	98.14	10263	1647
Dec	98.14	98.05	-0.11	98.16	98.05	1898	1438
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Mar	99.45	99,45	+0.01	99.45	99.45	2	n/a
Jun	99.40	99.40	-	99,40	99.40	40	n/a
Sep	99.30	99.30	-0.02	99.30	99.30	540	n/a
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Mar	95.80	95.76	-0.04	95.80	95.77	366	9803
Jun	95.81	95.78	-0.04	95.82	95.78	353	6767
Sep	95.81	95.77	-0.05	95.81	95.77	189	4163
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CROSS RATES AND DERIVATIVES **EXCHANGE CROSS RATES**

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488.4 410.4 21.55 4.196
283.2 222.1 11.71 2.270
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Low Est. vol Open int. 0.5830 46,763 83,253 0.5861 10,904 17,033 0.5904 27 2,556 Latest Change High 0.5850 +0.0013 0.5854 0.5882 +0.0012 0.5868 0.5912 +0.0004 0.5912 DE PRANC PUTURES (BANG SF: 125,000 par SF) 0.6756 +0.0025 0.5765 0.6725 0.6821 +0.0025 0.5824 0.6783 0.6885 +0.0021 0.6885 0.6880 13,479 4,469 10 48,024 8,087 1,790 UK INTEREST RATES LONDON MONEY RATES Over- 7 days One night notice month Three Six One months months year 54 - 54 6 - 55 64 - 54 64 - 64 64 - 64 64 - 55 65 - 64 Treatury Edite Bank Bills

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BASE LENDING RATES

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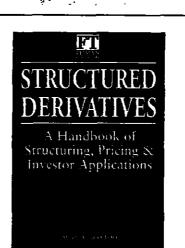
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Latest Change High 0.8237 +0.0037 0.8257 0.8343 +0.0038 0.8359 0.8460 +0.0043 0.8480 Open 0.8191 0.8290 0.8460 Est. voi Open int. 0.8200 0.8301 -0.0048 -0.0048 -0.0024 1,6152 1,6092 1,6046 1.6076 1.6054 1.6046 1.6056 1.6046 EMS EUROPEAN CURRENCY UNIT RATES Rate Change against Ecu on day % +/- from % spread Div. cent rate v weakest incl. 196.076 — 0.183
5.82969 — 0.00375
0,731401 +0.001134
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1948.60 — 0.06 197,398 5.85424 0.796709 163,828 2.16679 7,34555 1,92573 36,7191 13,5485 6,45883 1906,48 -0.67 -0.42 -8.43 0.98 1.32 1.47 1.48 1.50 1.52 2.09 2.21 2.90 2.64 11.62 1.22 0.87 0.73 0.72 0.70 0.68 0.12 0.00 4 3 57 -7 -10 -15 -71 -11 -18 -16 NON ERM MEMBERS Greece 295,269 UK 0,783103 -1,43 14,40 306.178 -0.218 0,708598 +0,000959 3.69 -10.56 Mar 1.72 1.09 0.63 Apr 2.54 2.03 1.57 May Mar Apr 1.42 1.82

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10

Oil ends lower after early gains

MARKETS REPORT By Robert Corzine, Kenneth Gooding and Maggie Urry

Oil prices rallied briefly in early trading after surprisingly bullish inventory data from the US. Brent Blend for April delivery, the global hmark, rose to a high of \$19.73 a barrel at one stage before falling sharply to around \$19.25 in late trading on London's International

Yesterday's gyrations followed a 58 cent a barrel rise on Tuesday to \$19.50.

The early increase was triggered by statistics showing an unexpected drop in \$336.90 an ounce. US crude oil stocks, one of the most widely watched indicators of short-term from the American Petroleum Institute recorded a SNB to sell its gold immedi-7.6m barrel fall in US crude oil inventories. Similar statistics from the Energy Inforshowed a 5.4m barrel fall.

The EIA report also revealed an unexpected 2.3m barrel draw-down of gasoline stocks, although the impact higher heating oil stocks.

The sharp swings in shortterm inventory movements are behind some of the volatility of oil prices this year. In the opening months of the year oil prices have moved in a \$6 range, with the low for the year of \$18.68 a barrel recorded last Monday and a

high of \$24.91 in January. Gold fell in London fell by \$9.75 a troy ounce to \$350.05 at one point on news that Switzerland would sell central bank gold to set up a fund for victims of the holocaust and other tragedies.

Mr Andy Smith, analyst at Union Bank of Switzerland, ahead.

BASE METALS

COMMODITIES PRICES

calculated that the \$4.7bn fund would require the sale of nearly 570 tonnes of Swiss National Bank gold.

The Swiss said it was "envisaged" that the fund would sell the gold over 10 years. Some analysts argued that this could be easily absorbed by a market with a daily turnover of 900 tonnes, but one dealer pointed out "The [annual] amount is not huge but it is indicative of central bank sentiment

towards the market." Fears of central bank sales have weighed heavily on the gold price recently and on February 12 it was "fixed" in London at a 3%-year low of

Mr Smith said that, although the Swiss had to hold a referendum on the wider issues, technically it would be possible for the ately. The central bank might use this as a lever to obtain other changes to mation Administration Swiss law so it could earn interest on its remaining 2,000 tonnes and remove the requirement that 40 per cent of Switzerland's issued cur-

rency be backed by gold. Coffee prices surged, with May robusta futures on the London International Financial Futures Exchange at a nine-month high. The 6 per cent rise to \$1,800 a tonne follows several weeks of increases as traders take a more gloomy view of the

outlook for production. Mr Lawrence Eagles, com modities analyst with GNI Research, said consumers had rushed to stock up on coffee in anticipation of higher prices. Speculative activity was increasing as funds bet on the effect a shortage of supply could have on the price in months

Precious Metals continued

2374-5

GOLD COMEX (100 Tray az.; \$/tray az.)

Eurogold hits a hostile seam in Turkey

The people of Bergama see Turkey's first gold mine as a poisoned chalice, writes John Barham

he joint-venture company developing Tur-key's first gold mine expected to be welcomed with open arms. Turkey is a poor country starved of foreign investment; its mining industry is underdeveloped.

The reality for Eurogold the company formed by Inmet of Canada, Australia's Normandy Group and BRGM, France's privatised geological survey - has been somewhat different. It has been left fighting hard to win a public relations war that is going terribly wrong.

"Eurogold will take the gold and leave poison for the people," thunders Mr Sefa Taskin, the mayor of Bergama, a prosperous ancient tourist town near Eurogold's prospective gold mine. "Tur-key has enough environmental problems. Why add new

"The people of Bergama will never allow them to operate this mine. I asked [Eurogold] to go politely. If not, the people will make them leave.

Other mining companies with promising Turkish prospects are waiting to see whether the Bergama project will go ahead. Once the way is clear, Turkey may have five gold mines producing between 12 and 15 tonnes a year within five years. Eurogold has spent more

the picturesque Aegean misrepresentation."



coast 12km from Bergama. It began prospecting in Turkey seven years ago, reasoning that the area's earthquake prone geology had produced many small deposits containing high concentrations of fine gold. It plans to recover these microscopic granules with a chemical process using cyanide.

The mine will produce at least 3 tonnes of gold a year worth nearly \$40m. It will create 238 permanent jobs and pay \$8.5m a year in taxes and royalties.

Mining companies often arouse opposition, but Eurogold admits it was surprised by the depth of hostility in Turkey. We can see there is gold in this country," says Mr Jack Testard, Eurogold's general manager. "But we have to improve our commuthan \$15m on its mine near nications. There is strong



Bergama: a neat and prosperous town grown rich on tourism

Mr Testard says the project, but lost, They appealed ect required approval from and lost all the way to the 11 ministries and the signa- Supreme Court in Ankara. tures of 710 senior officials, a process that took five years. set up an environment min-During that time seven istry. Eurogold had to accept

In 1993, the government governments came and strict controls. It incorpowent. Protesters demanded rated expensive features. plant to climinate cyanide in waste water to less than one

part per million. The dam for waste will be nate their produce and me lined with clay and a plastic membrane. The water will be recycled, not released into local rivers. Eurogold has - Eurogold shareholders a posted a \$1.5m bond to mustantee rehabilitation of the area when the mine closes.

Yet however hard it tries. Eurogold cannot overcome public resistance, hardened by equal measures of lenorance, fear and xenophobia. Mr Tustard says the media, initially supportive, has turned hostile. Newspapers carry about 25 articles a week about the project, nearly all negative.

Bergama, site of ancient Pergamon, is a neat and prosperous town grown rich on tourism. Shopkerpers have put up signs saying No to Cyanide Gold".

"If you were a tourist and sition and improving heard about the cyanide. would you come?" asks Mr Taşkin. "This is a foreign company. We do not know who they are, who their victims have been around the world. They think we are

Mr Taskin has contacted Germany's environmental movement and the European parliament to put pressure on Eurogold shareholders and suppliers.

However, independent mining analysts dismiss the protesters objections.

olives; cotton and tobacc fear cyanide would contin But in fact, cyanide be ing is a sufe, well-prom technology.

not grow rich in Son Africa under aparthale Eurogold bosses "wild re

Neither is Europold fly-by-night. It is one-thi owned by inmet, for sellschaft. La Source other shareholder, is a 16 venture between Norma and BRGML

In principle, Europast. ismore Bergama and the sites in Turkey without is coming bitter political app

Not all is lost. Europe could mount a more tive public relations ope tion and address the feets local people, however mecal they seem to experts.

'No [state] official expert has come explained what is going a says Mr Erdogan Certic the mine. "That is why are suspicious. The pri minister or an expe (should) come and explanation why it would not be bad.

Western Australia keeps gold tax option open

local courts block the proj- such as a detoxification

By Nikki Tait in Sydney

No decision has yet been made on whether Western Australia will introduce a state-based gold tax, Mr Richard Court, the state premier, sald yesterday. Any decision would be made only after industry consultations, he added.

"If we make a decision to go any further, we will then sit down with his state government ruled out a the industry - we do not want to do anything that affects the viability of what is Western Australia's structure requirements.

GRAINS AND OIL SEEDS

M WHEAT LIFFE (2 per tonne)

most important export-earning industry," said Mr Court, speaking in Kalgoorlie, the mining town in the centre of the state's goldfields.

Australian states have limited revenue-raising powers and depend on grants from the federal government, which in turn has been attempting to constrain expenditure to balance its budget. The recently re-elected Western Austragold royalty in its first term of office, but now faces growing infra-

E COCOA LIFFE (P/to

options open going into our second term, because we have a responsi- Newcrest, said growing demand for bility to address all the issues on revenue and expenditure," Mr

A number of gold miners and industry bodies from the state have metal will not continue to be warned that a gold royalty in Western Australia - coupled with weaker gold prices and other rising costs - could drive some marginal producers out of operation and deter the smaller exploration

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; cents/lbs)

"We quite deliberately left our • Mr John Quinn, managing director of Australian mining house and the intentions of central be gold did not necessarily translate into higher prices.

There is no reason to believe average production costs aims worldwide demand for the yellow robust, in part because of expectation of high growth in Asia," Mr represents an increase of nearly 1 Quinn told the gold conference in Kalgoorlie. "I do not think, however, that once can confidently pre-strongly upward trend in easi dict this demand is going to result in any substantial rise in price."

JOTTER PAD

Meanwhile, data suggest th Australian mines in the third m ter of 1996 had increased to Am an ounce. Mr Quinn said. The per cent on the costs reported & 1995 and is a continuation of costs, which have been in evidence

"Remind yourself daily that a cheerful

31

LONDON METAL EXCHANGE Prices from Amalgameted Metal Trading ALUMINIUM, 99.7 PURITY (5 per tonne) 1577.5-8.0 Previous High/tow AM Official 1691-2 1694/1672.5 1653.5-54 Open int. Total daily turnover 264,870 81,230 B ALUMINEUM ALLOY (5 per tonne) 1552-7 1557**-60** 1530-35 1537-42 1530-40 1553-5 Open int, Total daily tumover 6.182 1,575 ■ LEAD (\$ per tonne) 717-8 694 694-5 40,133 18,034 Open int. Total daily turnover MICKEL (\$ per tonne) Cicse Previous High/low AM Official 8090-100 8225-35 8150/8080 8130-40 8015-20 51,111 15,635 Open int. Tatal delly turnover TN (5 per tonne) Close Previous High/low AM Official 5785-05 5845-50 Kerb close 16,280 3,596 E ZINC, special high grade (5 per tonne) 1225-6 1245-6 1237.5-8.0 1253-4 1247/1237 High/low AM Official 1237-38 Kerb close Open int. Total daily turnover 88,394 32,428 COPPER, grade A (5 per torne 2444-7 2470-73

113.65 -2.05 115.50 113.15 986 8.829 112.10 -2.85 114.00 111.60 109 3,220 110.40 -2.85 113.20 110.00 5,019 25,988 108.60 -2.10 110.10 109.40 11 992 107.20 -1.85 108.60 106.60 285 7,138 105.80 -4.82 105.65 106.60 7 634 PRECIOUS METALS Prices supplied by N M Roths \$ price 352.05-352.55

357.80-358.20

355.75 354.50

220.241 524,731

£ equitv. 221-223

139,400 60,164

LINE AM Official E/\$ rate: 1.8096 LME Closing E/S rate: 1.6106

Sout: 1,6110 2 miles: 1,6065 & miles: 1,6057 9 miles: 1,6035

Open Int. Total daily turnover

Day's High 357.80-358.20 Day's Low 350,75-351.25 Previous close 359.75-360.25 Loco Lith Meion Gold Lending Retes (Vs USS) pAroy 02. 323.65 326.15 332.60 521.40 527.85 341.60 547,20

\$ price 358-358

1.945 -0.057 1.956 1.925 3,752 11,670 1.945 -0.040 2.000 1.945 1,828 10,818 1.970 -0.015 1.997 1.965 1,073 8,769 1.965 -0.023 2.000 1,985 856 7,837 +0.01 63.80 62.80 13.384 40.577 52.50 -0.10 63.45 62.60 5.81 19.451 62.05 - 62.90 62.00 2.327 13.577 61.25 +0.29 61.75 61.10 62.6 3.671 59.90 +0.24 60.20 29.90 37 3.707 58.50 +0.34 56.70 58.70 156 1.457

1.860 -0.083 1.965 1.855 22.483 33.546 1.825 -0.054 1.860 1.920 7,752 18.076

					_			_			
	Sett Day's			Open		Sett	Day's				Open
	price change i	ilgib javr	Tol	int.		price	change	ı Migit.	LOW	Yel	
No.	354.0 -6.1		5	23	Har	97,65	+0.65	_	-	15	199
Apr	254.4 -6.1 3	80.6 352.5	32,165	71,376	May	100,35	+0.55	100.35	99.50	365	3,487
Jan .	356.3 -8.3 3	626 354.6	2,494	24,558	Jul	102,75	+0.65	102.75	101.75	98	922
Alag	358.6 8.A 3	62.7 357.5	132	10,628	Sep		+0.25	_	-	_	33
Oct	361.1 -6,4 3	64.5 361.D	328	6.288	Hov			95.75	95.15	83	1,958
Dec	363.7 -6.4 3	70.0 382.5	387	20.939	Jan				97.25	40	343
Total			35,526	74.030	Total					828	7,080
	LATINUM NYMEX	GO Trov or		• •		HEAT C	TEN	v			
==:		pe ney ea	-, 4 -	7			31 PAIR	COU III	I, COIN	SOUTH L	mar and
Apr		1860 380.5	2,360	19,255	100	356.50	-45	37250	363.00	987	1,407
74		9 7.5 383 .5		2,953	May	369.DO	-1	374,50	366,00	8,419	25,873
Oct		287.Q 385.D	60	1,981		358 <i>3</i> 5	-3	394.75	356.00	13,395	35,938
مهل	390.1 -5.2 3	91.5 399.9	20	1,124	Sep	361.00	-45	366.00	359.00	1,316	3,849
Total			2,588	25,314	Dec	371.00	-3	375.00	368.00	547	3,790
■ P.	ALLADIUM NYME	K HOO Trov	or.: \$Am	ay az 1	Mar	370,00	-5	377.00	370.00	26	72
					Total					2455	71,118
Mar	149.25 -6.25 14		150	B93		ALZE (8	TEM) bu mi	ar centr		-
400		9.25 145.50		9,367							
Sep		7.75 147.75	135	751	No.	301.75				18,086	
Daç	147.50 - 15	55.50 153.00	5	190						68,53 6	
Total			963	11,901						28,403	
4 8	LVER COMEX (5,00	O Troy oz.; C	ents/tro	(OZ.)	Sep	284.25	-425	288.50	284.00	2,970	14,255
					Disc	282.25				15,747	
		23.0 513.0		1,345	Har	287.25				1,115	
May		28.0 517.0			Total					131,067	
311 0		33.0 522.5		11,955	B Ra	WILEY L	EFF (F	per to			
Sep Con		36.0 530.5		3,334							
Dec		44.0 536.0		5,313	Hit	91.00	-		91.00	3	98
Jan Total	544.4 -2.5			14	Hiry	92.00	-	93.50	93.50	-	135
9,0			15,008	30,513	Sep	91.50	-				28
					Meri	93.50	-		93.60	10	361
					Je#	95.50	-	95.50	95.50	5	27
					Total					18	649
ΕN	ERGY				E SC	YABEA	¥S (Æī	62,000b			
■ C	RUDE OIL NYMEX	(1.000 hen	mik S/I	herreft	Mar	801.25	_5 25	ens no	708 SI	8 646	0.680
		. /.,,			Mar	605.00				43,905	
	Latest Day's	_		Open	74	803.50				11,040	
	price change i	•	Yol	14	Ang	797.00				1,258	
Apr	20.42 -0.24 2	0.96 20.38	55,366	87,676	Sep	754.00		758.50			3.841
May	20,27 -0,20 2	0.75 20.25	27,258	54,524	Nev	713.50					
Joe	20.17 -0.14 2	0.56 20.16	11,658	45.194	Total			- 15-60		69,063	
34	20.10 -0.09 2	0.40 20.10	6,811	23,791		YABEA	100	******			
Aug		0.24 19.95	3,387	18,215							
Sep.	19.65 -0.20 2	0.15 19.85	1,583	13,478	Med	24.95	-0.17	25,04	24.57	8,567	5,761
Totaj		1	15,5124	14,306	May		-0.28			12,072	
1 C	RUPDE OIL IPE 18/1	(Jerres)			Jei		-0.29			11,570	
					Aug		-0.27				4,444
	Labort Day's	Hall 6		Open	Sop		-0.28				3,038
_	price change if		W	jet	Oct.	25.73	-0.22	26,00			1,696
Apr	19.25 -0.25 1	9.73 19.25	13,838	67 ,115	Total		_			17, 10 2	
May	18.95 -0.19 19				= \$0	<u>YABEAI</u>	MEA	LCST	(100 F	ns; \$/1	an)
Jun	18.83 -0.07 1				Mar	290.6	-1.7	282.5	293.1	3,112	11 024
Jel Ave		8.02 18.74		12,468	Hay	256,7				12.827	
Auty Sep	18.78 +0.08 18			6,034	- Jai	253.5				6,058	
Sep Tghai	18.73 +0.10 1	בַּלָנונו עסיי		B,470	Acg	248.9				1,195	
_			79	***	Sap	238.7		240.8			3.979
= 14	ATING OIL IMIEX	(42,000 US ga	s.; c/us	gala.)	Oct.	224.0		224,3			3,092
	Latest Day's			Copez	Total					26,248 1	
	price change if	igh Low	Yel	ᇔ	M PO	TATOE	LIFFE	(E/ton	ne)		
Apr	52.70 -0,64 5	-									
Way .	52.80 -0.56 5	189 5380	5772	13 023 	Apr.	65.5 20.7	+0.5	65.5 20.2	65.0	22	338
	53.05 -0.43 54	114 57 05	3417	1 722	May	70.7	+0,7	70.7	70.7	2	239
<u></u>	53.55 -0.38 54		1.808		Jime Visco	77.0	+20	-	-	-	_
Aug	54.30 -0.23 E	34 54.30	1,055	6082	Nor Mar	67.0 102.0		_	-	-	2
Sep	55.20 -0.08 5	SBD 55.26	330	4.963	Apr	1120		1126	1116	7	864
Total			31,070 1		Total	1120	74.0	1120	11130	aí	1,843
	AS ONL IPE (\$/10mme)		,								-
= =					- 170	EIGHT (E	H-LEX	LIFFE	(S) (S)	soes bo) (11 L)
	Sett Day's			Open	Mar	1480		1460		65	紡
	Price change H	igh Joer	Yol		Age	1530	+40	1540		65	1,252
	182.00 -1.75 187	7,00 162,00	6,911 2	0.863	May	1515	+50	1515	1500	23	64
Арт	163.75 -1.00 165	150 163.75	8,094 1	6,966		1295	+35	1295	1295	10	839
May	165.50 -0.75 168	1.75 165.50	714	5.164	Oct	1395	+10	1370	1370	_	213
ومال	167.00 - 185	7.75 167.00	1,528	7.902	ويول	1410	+10	-	_	_	49
Jal	168.75 +0.50 171	.00 168.75	<u>er</u> ,	3.140	Total					156	2,872
Abg	170.00 +0.25 170			1,337		ا جدوی					
Total			16,350		餠	1414	1417				
3 240	TIRAL GAR MA		-								
	TURAL GAS MAE	v (intern tall		HERD.	FUTTE	RES DAT	T.A.				
	Latest Day's			Ореп		res dete		ر بيد احد	~40		

Total					24,55	71,118			-			11,807	92,550
	AIZE CE	FF (5,00	() pri w	in; cent	s/56tb b	(lertaux	■ C0	COA (IC	CO) (S	DR'e/to	ипе)	_	
Mar	301.75					30,655				- Pi	ka	P	ter, day
						160,828	Daily			1042	66		1017.02
Jal Sep	297.00	-325	201.75	236,50 20. nn	28,403	107,450 14,255		_					
Dec	282.25	-45	286.50	282.00	15.747	85,812		FFEE UF	TE (S/	(Bernor			
	287.25	-4.5	290.25	287.00	1,115	5,938	Mar	1785	+80		1758	487	3.109
1044					131,067	368,175		1786	+62				24,884
B/	WILEY I	TELE (C per to	OFFICE)	<u> </u>		Jai Sap	17 8 0 1775	+80 +80				9,976 4,172
Mar	91.00		91.00	91,00	3	96		1750	+80		1727		2018
Hay	92.00		93.50	93.50	_	135	Jan	1730	+85				
Sep Mpt	91.50 99.50					_	Total						44,628
Jes	93.50 95.50			93.50 95.50			= 60	存住 で	CSCE	(37,50	Olbs; c	ante/I	bs)
Total	-		3,00	-	18		Mar	219.75	+8.10	227.50	213.50	756	2,247
E 80	YABEA	NS (8	Ø,000b	e mie; a	105 GUB	Destard	May	200.85					
Mar					6,615		JM Sep	187_20					
listy .	805.00				43,905		Dac	175.00 163.00					
Jul .	\$03.50	-5	811.00	801.00	11,040	52,562	Har	150.50	+1,40	155,10	146.00	61	673
Ang					1,259	8,055	Total					10,086	42,324
Sep Nov	754.00			752.00	962 5,950	3,841	₫ ¢0	FFEE (IC	O) (US	cents	pound)	•	
Total	11000	-1,23	110-00	71120g	68,863		Mar 4					Pi	er. day
	YABEA	N OIL	CBT (8	0.00011			Comp, d	ipily Grenzyc		, 142	69	-	136.83
Max.							15 day :	transige		127.	40		125.85
wax May					6,567 12,072								
Jei,					11,570			UE SAG					
Aug	25.50	-0.27	25.57	25.50	621	4,444	May	307.1		308.2			13.284
Sop			26.05			3,038	yest Table	305.7		307.0			4,334
Oct Total	22.73	-4.22	26,00		483 \$2,862	1,696	Oct Dec	301.6 301.4		302.5 302.0		46 155	2,960 833
	YABEA	N MORA	L CRT				Har	303.2		302.5		10	
	250.6	_					May.			301.7	301.7	_	159
Mar May	250.5 256.7	-1.3 -1.4	252 S	256.1 255.4	3,112 12,827	11,126 47 796	Total		***				22,120
Jai	253.5				6,058			AR '11'	CSCE	(112,0	00bs; «	zents/	<u>(188)</u>
Acg	248.9	-1.5	250,8	248.0	1,195	7,211	May	10.86	-0.02	10.95	10.76	6,192	73,342
Sap Cet	238.7 224.0			238.0	988		إطار Oct	1(1.67 1(1.63		10.74	10.59	2,146	36,900
Total	200.0	-0.2	دروع		. 402 26,248 1		Har-	10.60	-74.00	10.70	10,60		24,U33 10,075
	TATOE	R LIFE	6/10	mei	201010	, ruques	May			TO.68			1,869
							Jei			10.66	10.62	12	933
Aşı May	85.5 70.7	+9.5 +0.7	65,5 70,7	85.0 70.7	22 2	238	Total					0,321 1	41,181
	77.0	+20	14.5	70.7		239	E CO1	TON NY	CE (50	,000ib	, cent	2/TDS)	
Nov	67.0	+20	_	_	_	2	Mar	73.50				75	
Har	102.0	+20	-	-	-	_	May	75,26	+0.48	75.44	74,951	0,932	33,125
Apr Total	1120	+2.0	1120	111.0	7 31	864	Jul Oct	76,50 76,95					
	EIGHT (A 1 JET 2	-		1,843	Dec	77.16					
							Mar	77.95	+0.22	77.75	77.70	63	1,114
Mar Apr	1480 1530	+45 +40	1460 1540	1415	羇	. 655	Total				1	5,821	63,591
Way	1515	+50	1515	1490 1500	65 23	1,252 64	E ORA	NGE JU	KE W	YCE (15	,000tbs	cents	√bs)
	1295	+35		1295	10	639	Mer	84.45					814
Det	1395	+10		1370	_	213	Hay	66.05					
راييار استدا	1410	+10	-	-		_49	Jel	8E.30					4,635
Total	Clase	Prav			156	287	Sep May	90.20 92.20					3,492 1, 0 49
餠		1417					, ne	B3.75				161	543
							Total						25.530
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6.30	O FOB.	. Total	annote a	e erei	علدها	rie i				194		212	rs ;
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PIDE	Kerne		пеза і	reache	d 16.0	00;	Mar 4	_		month		VE	<u> </u>
r-2009	tan sta	X0 10,	400, a	op fini	ming.		191.6			205.	32	194.	agu ,
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	price c	مؤدس	High	ÇO ŞT	Vol	献		Price chang	e Higi	1,000	Yes	int
	918	+1	926			1,738	Feb			D 67.600		27
illaty Jaal	933 944	+3 +2	945 954			34,354 14,101	श्रीय जैवा	68.600 -0.82				43,179
Sec	955	- <u>-</u> 2	965			14,023	Aus	64,950 -0.30 63,875 -0.20				21,208 18,963
Dec	963	-1	974	958	1,495	20,667	Oct	67.625 -0.07	5 67.8	25 67.60	875	13,420
Mar Total	984	+3	996			21,514	Dec	69,750 +0.05	0 69.9	35 69.6 5		5,743
	-O4 CS/	~E MA			-	128,181	Total					195,821
	OA CS	_			_		- 1,2	AN HOGS C	_			
Mar May	1290 1336	+7	1295 1352			161	Apr	71,175 -2.00				
Jest,	1361	+3				33,321 18,981	Jen Jei	75.890 - 200 75.375 - 1.95				9,993 2,483
Sep	1356	+1	1430	1379	651	10,518	Amg	72,000 -200	0 73.7	75 72,00	0 239	
Dec Max	1418 1448					6,538	Get	65.575 -1.37				
Total	1440	+2	1400	1437		16,033 92,550	Dec Total	64.250 -4.75	0 65.0	00 63 65	132 7,775	
-	COA (ICC	201 (SI	DR'e/to					ORK BELLIE:	S CME	440.000		
Mar 4		•••	- 0.	ice		ter, day		78.375 -3.00				1.074
Daily			1042	66		1017.02	May	79.550 -3.00				
							أوال	78.800 -3.00	0 80.9	00 78.80	232	1,188
E CO	TEE UF	FE (S/	torrie)				Ang Tetat	76.025 -3.00	0 78.4	DC 76.02	5 33 2 <i>5</i> 44	520
Her	1785	+80				3.109	1942				4,744	8,354
May Jai	1780 1780	+82 +80	1820 1875			24,884	I O	NDON T	PAI	OFD (וזפר	ONS
Sap	1775	+80				9,976 4,172		price S to:				
Hov	1750	+80	1765	1727	160	2,018		LIMBURUM			-	
Jan Total	1730	+65	1753			459 44.629		6) LME		pr Jul	Apr	Jul
	₹EE 'C'	CSC	(37.50				1600	HHH		74 102	14	39
Har .	219.75		<u> </u>									60 86
May	200.85	+5.40	209.50	196.00	726 11,189	4,247 24,194		OPPER		22	61	-00
JM.	187_20	+4,15	196,00	183.00	2,903	7,876	(Grad	PA)LME		pr Jul	Apr	اوال
Sep Dec	175.00 163.00						2300		I	37 109		103
Har	150.50			146.00	61	673	2500		9	98 64 27 37	43 101	162 233
Total			_			42,324		OFFEE LIFFE			-	
	FEE (IC	J) (US	Cents/	borno	<u> </u>							119
Mar 4						ev. day	1700 .		1	59 222 31 197		142 167
15 day a	ily renzge		, 192 , 127	80 40		136.83 125.85		OCOA LIFFE				
											6	11
E WHI	LE SNG	AR LIF	PE PS/	perios)			900		4	5 83 9 47	12	18
May	307.1 305.7		308.2					RENT CRU		47	37	28
Ang Oct	301.6		307.0 302.5			4,334 2,980	1PE		A	pr May	Apr	May
Dec	301.4	-0.3	302.0	301.0	155	833	1950 .				-	-
jilar Jilay	303.2 301.2		302.5 301.7		10	530 159	2050 .		2		-	148
Tatal												
*****					1,249	22,120						
	AR '11'	CSCE	(112,0	oobs;			LON	NDON S	PO	T M/	\RK!	ETS
IS SUE	10.86	-0.02	10.95	10.76	cents/ 6,192	73,342		NDON S				ETS +or-
May Jed	10.86 10.67	-0.02	10.95 10.74	10.76 10.59	cents/ 6,192 2,146	73,362 36,900	E CR		B (per	berrel)		+or
May July Cet Mar	10.86 10.67 10.63 10.60	-0.02 -0.08	10.95 10.74 10.72 10.70	10.76 10.59 10.59 10,60	6,192 2,146 955 951	73,342 36,900 24,038 10,075	Dubai Brent	Blend (dated	B (per	berreli 17.41-7, 19.16-9	45w -	+or
May July Cest Mar May	10.86 10.67 10.63 10.60 10.61	-0.02 -0.08 -0.08	10.95 10.74 10.72 10.70 10.68	10.76 10.59 10.59 10.60 10.60	6,192 2,146 955 951 65	73,342 36,900 24,033 10,075 1,869	Dubai Brent Brent	UDE Off. FO	S (per	berrel) 17.41-7, 19.16-9 19.21-9	45w -4	+0r- 0.045 0.12 0.07
May July Cet Mar	10.86 10.67 10.63 10.60	-0.02 -0.08 -0.08	10.95 10.74 10.72 10.70 10.68	10.76 10.59 10.59 10.60 10.61 10.62	6,192 2,146 955 951 65 12	73,342 36,900 24,033 10,075 1,869 933	Dubai Brent Brent W.T.I.	Bland (dated) Bland (Apr)	B (per	barrel) 17.41-7. 19.16-9 19.21-9 20.38-0.	45w -	+0r- 0.045 0.12 0.07
HE SUG. May Jed Get Mar May Jed Total	10.86 10.67 10.63 10.60 10.61 10.62	-0.02 -0.08 -0.08 -0.08	10.95 10.74 10.72 10.70 10.68 10.66	10.76 10.59 10.59 10.60 10.61 10.62	6,192 2,146 955 951 65 12 0,321	73,342 36,900 24,033 10,075 1,869 933	Dubai Brent Brent W.T.I,	UPE Off. FO Blend (dated Blend (Apr) . PRODUCTS	S (per S S NWE	berrel) 17.41-7, 19.16-9 19.21-9 20.38-0, rompt del	46w - .18 - .23 - 40w -	+0r- 0.045 0.12 0.07
May July Get Mary July Totals Mr COTT	10.86 10.67 10.63 10.60 10.61 10.62 TON NYY	-0.02 -0.08 -0.08 -0.08 CE (50	10.95 10.74 10.72 10.70 10.68 10.86	10.76 10.59 10.59 10.60 10.61 10.62 5; cent	6,192 2,146 955 951 65 12 0,321 9/fbs)	73,342 36,900 24,033 10,075 1,869 933 41,181	Dubai Brent Brent W.T.I,	Blend (dated Blend (Apr) PRODUCTS Im Geseline	S (per S S NWE	barrel) 17.41-7. 19.16-9 19.21-9 20.38-0.	45w - .18 .23 .40w wery Car	+0r- 0.045 0.12 0.07 0.11 (torne)
May July Get Mar May July Totals M COTT Mar May	10.86 10.67 10.63 10.60 10.61 10.62 TON NYO 73.50 75.26	-0.02 -0.08 -0.08 -0.08 CE (50 +0.45 +0.45	10.95 10.74 10.72 10.70 10.68 10.86 ,000m	10.76 10.59 10.59 10.60 10.61 10.62 73.15 74.951	0,192 2,146 955 951 65 12 10,321 19/Tool	858) 73,342 36,900 24,033 10,075 1,869 933 41,181 264 33,126	Dubai Brent Brent W.T.I. III Off Premiu Gas O	Blend (dated Blend (Apr) PRODUCTS I'm Gesoline II Fuel Oil	S (per S S NWE	5210-21 \$18.46 \$19.21-9 \$20.38-0. \$210-21 \$181-16	46w - 18 - 23 - 40w - 12 - 23 - 33 - 3	+0r- 0.045 0.12 0.07 0.11 (towns)
May July Get Mary July Totals Mr COTT	10.86 10.67 10.63 10.60 10.61 10.62 TON NYY	-0.02 -0.08 -0.08 -0.08 -0.45 +0.45 +0.48	10.95 10.74 10.72 10.70 10.68 10.86 ,0000 73.54 75.44 76.65	10,76 10,59 10,69 10,60 10,61 10,62 73,15 74,951 76,20	5,192 2,146 955 951 951 12 10,321 9/(1)46 75	73,342 236,900 24,033 10,075 1,869 933 41,181 264 33,126 12,142	Dubai Brent Brent W.T.I, W.OS. Premiu Gas O	Blend (dated, Blend (Apr) PRODUCTS TO Gesoline Fluet Oil To	S (per S S NWE	berreij 17.41-7, 519.16-9 519.21-9 20.38-0, fompt dei \$210-21 \$161-16 \$14-66 \$186-18	46w - 18 - 23 - 40w - 12 - 12 - 13 - 13 - 13	+0r- 0.045 0.12 0.07 0.11 (tout)
BE SUG May July Cet Silar Hay July Total BE COT Har Hay July Oct Date	10.86 10.67 10.63 10.60 10.61 10.82 10.00 NW 73.50 75.26 76.96 76.95 77.16	-0.02 -0.08 -0.08 -0.08 -0.45 +0.45 +0.46 +0.10 +0.21	10.95 10.74 10.72 10.70 10.68 10.86 ,00005 73.54 75.44 76.65 77.05 77.20	10.76 10.59 10.59 10.60 10.61 10.62 73.15 74.951 76.95 76.95	6,192 2,146 955 951 65 12 19,321 19,321 1,965 1,922 2,331	73,342 32,900 24,033 10,075 1,869 933 41,181 264 33,126 12,142 1,378 14,708	Dubei Brent Brent W.T.I. III Off. Prerried Gas O Heavy Naphti Jet fac	UDE Off. FO	S (per 5)	barrelj 17.41-7, 519.16-9 519.21-9 20.38-0. 5210-21 5181-16 5186-18 5186-18 5174-17	46w	+0r- 0.045 0.12 0.07 0.11 (towns)
H SUG http://di July Uct Mar- Hay July Total W COT Mar- Hay July Oct Date Utar	10.86 10.67 10.63 10.60 10.61 10.82 TON NY 73.50 75.26 76.50 76.95	-0.02 -0.08 -0.08 -0.08 -0.45 +0.45 +0.46 +0.10 +0.21	10.95 10.74 10.72 10.70 10.68 10.86 ,00005 73.54 75.44 76.65 77.05 77.20	10.76 10.59 10.59 10.60 10.61 10.62 73.15 74.951 76.95 76.95 77.70	08105/ 6,192 2,146 955 951 65 12 (0,321 1 9/Too) 75 0,932 1,965 162 2,331 63	73,342 36,900 24,033 10,075 1,869 933 41,181 264 83,156 12,142 1,378 14,706 1,114	Dubei Brent Brent W.T.I. III Off. Prerried Gas O Heavy Naphti Jet fac	Blend (dated, Blend (Apr) PRODUCTS TO Gesoline Fluet Oil To	S (per 5)	barrelj 17.41-7, 519.16-9 519.21-9 20.38-0. 5210-21 5181-16 5186-18 5186-18 5174-17	46w	+0r- 0.045 0.12 0.07 0.11 (tound) -2 -0.5
B SUG http://di July Oct Mar July July July Oct Hory July Oct Buge Bitar Total	10.86 10.67 10.63 10.60 10.61 10.62 10.82 10.80 73.50 76.95 76.95 77.95	-0.02 -0.08 -0.08 CE (50 +0.45 +0.46 +0.44 -0.10 +0.21 +0.22	10.95 10.74 10.72 10.70 10.68 10.86 10.86 73.54 75.85 77.85 77.20 77.75	19.76 10.59 10.69 10.61 10.62 73.15 74.951 76.95 76.95 77.70	06185/ 6,192 2,146 965 951 65 12 1,321 1 9/10s) 75 0,932 1,965 162 2,331 63 5,821	73,342 38,900 24,033 10,075 1,869 933 41,181 264 83,126 12,142 1,378 1,114 63,591	Dubai Brent Brent W.T.I. E OS. Premiu Gas O Heavy Naphti Jet fue Deser E MA	UDE Off. FO	Pence	berreij 17.41-7, \$19.21-8 \$19.21-8 20.38-0. fompt dei \$210-21 \$186-18 \$186-18 \$174-17 Athermi	46w	+0r- 0.045 0.12 0.07 0.11 (torns) -2 -0.5 -3.0 -1
HE SUG May Jed Oct Mar Hay Jel Total W COT Her Her Total HE ORAL Her Total HE ORAL Her	10.86 10.67 10.63 10.60 10.61 10.82 10.00 NW 73.50 75.26 76.96 76.95 77.16	-0.02 -0.08 -0.08 -0.08 -0.45 +0.45 +0.46 +0.21 +0.21	10.95 10.74 10.72 10.70 10.68 10.86 10.86 73.54 75.85 77.85 77.20 77.75	19.76 10.59 10.60 10.61 10.62 10.62 73.15 74.951 76.95 76.95 77.70	06185/ 6,192 2,146 965 951 65 12 1,321 1 9/10s) 75 0,932 1,965 162 2,331 63 5,821	73,342 39,900 24,033 10,075 1,869 933 41,181 264 33,125 12,142 11,378 14,766 1,114 63,591 475s)	Dubai Brent Brent W.T.I. E OS. Premiu Gas O Heavy Naphti Jet fue Desei E MA' Becton Petrole	UDE Off. FO	Pence	berreij 17.41-7, 519.16-9 519.21-8 20.38-0. tompt dei \$210-21 \$186-18 \$186-18 \$174-17 //hermj	45w	+0r- 0.046 0.12 0.07 0.11 (tound) -2 -0.5 -3.0 -1
IF SUG. Nay Jel Oct Siar Islay Jel Total Oct Date Star Islay Jel Oct Date Star Islay Jel Oct Date Star Islay	10.86 10.67 10.63 10.63 10.63 10.61 10.62 10.82 10.82 75.50 76.95 76.95 77.16 77.95 NGE JUI	-0.02 -0.08 -0.08 -0.08 -0.45 +0.45 +0.48 +0.41 +0.21 +0.21 -0.30 -1.85	10.95 10.74 10.72 10.70 10.86 10.86 73.54 75.44 75.44 77.05 77.20 77.75 (CE (15	10.76 10.59 10.60 10.61 10.62 10.62 73.15 74.95 76.95 76.95 77.70 10.0005 83.00 84.50	5,192 2,146 955 951 95 12 19,321 75 0,932 1,965	73,342 36,900 24,033 10,075 1,969 933 41,181 264 33,126 12,142 1,378 14,78 14,78 14,114 63,591 44,695	Dubai Brent Brent W.T.I. E OS. Premiu Gas O Heavy Naphti Jet fue Deser E MA	UDE Off. FO	Pence	berreij 17.41-7, \$19.21-8 \$19.21-8 20.38-0. fompt dei \$210-21 \$186-18 \$186-18 \$174-17 Athermi	45w	+0r- 0.045 0.12 0.07 0.11 (torne) -2 -0.5 -3.0 -1
IF SUG Blay Jed Oct Blar Blay Total IF COT Mar Roy Jed Oct Dee Blar Total IE ORA Blar Total IE ORA Jed Jed Jed Jed Jed Jed Jed Jed Jed Jed	10.86 10.67 10.63 10.60 10.61 10.82 75.26 76.50 76.50 77.95 NGE JUI	-0.02 -0.08 -0.08 -0.08 -0.45 +0.45 +0.46 +0.21 +0.21 +0.22 -0.30 -1.65 -1.40	10.95 10.74 10.72 10.70 10.68 10.86 ,00005 73.54 75.44 76.65 77.05 77.75 CE (15	10.76 10.59 10.59 10.60 10.61 10.62 73.15 74.951 78.20 76.95 77.76 1 1,000tbs	6,192 6,192 2,146 955 551 65 12 10,22 11,955 0,922 1,965 0,922 1,965 6,921 1,965 6,921 1,965 6,921 1,965 6,921 1,965 6,921 1,965 6,921 1,9	73,342 36,900 24,033 10,075 1,869 933 41,181 264 33,126 12,142 1,378 1,114 60,591 4,698 4,698 4,635	Dubei Brent Brent W.T.I. E OR. Premiu Gas C Heave Dassel E MA Becton PE (A E OT)	UDE Off. FO	B (per \$ \$ NWEP	barrelj 17.41-7. 519.16-9 519.21-9 20.38-0. forski del \$210-21 \$186-18 \$186-18 \$174-17 Whermj 10.15 10.20	46w	+0r- 0.045 0.12 0.07 0.11 (forms) -2 -0.5 -3.0 -1 0.10
IF SUG. Nay Jel Oct Siar Islay Jel Total Oct Date Star Islay Jel Oct Date Star Islay Jel Oct Date Star Islay	10.86 10.67 10.63 10.63 10.63 10.61 10.62 10.82 10.82 75.50 76.95 76.95 77.16 77.95 NGE JUI	-0.02 -0.08 -0.08 -0.08 -0.08 -0.45 +0.45 +0.44 -0.10 +0.21 +0.22 -1.55 -1.56 -1.90	10.95 10.74 10.72 10.70 10.86 10.86 ,00000 73.54 77.65 77.20 77.75 CE (15	10.76 10.59 10.69 10.60 10.61 10.62 73.15 74.951 74.951 76.95 77.78 83.00 84.50 88.00	5,192 2,146 955 951 95 12 19,321 75 0,932 1,965	73,342 39,900 240,035 1,889 933 41,161 264 33,126 12,142 1,378 14,708 14,708 14,708 14,708 14,708 14,108 3,432	Dubei Brent Brent W.T.I. BOR. Premiu Gas O Heavy Naphti Jet fac MA Becton Petrole (A E OT) Gold () Silver	UDE Off. FOI Bland (dated Bland (Apr) . PRODUCTS IM Gasoline II FUE Oil ha II TURAL GAS I (Mar) am Argus. Tel. pr) Deer troy ozyl (per troy ozyl (per troy ozyl)	B (per S S S S S S S S S S S S S S S S S S S	berreij 17.41-7, 519.16-9 519.21-8 20.38-0. tompt dei \$210-21 \$186-18 \$186-18 \$174-17 //hermj	45w - 18 - 23 - 40w - 12 33 39 39 37 32 37 37 37 37 37 37 37 37 37 37 37 37 37	-0.045 0.12 0.07 0.07 0.11 (touts) -2 -0.5 -3.0 -1 0.10
IF SUG. Blay Jel Ust Blar Blay Jel Total IF COT Mar Blay Jel Oct Dec Blar Total IF ORA Blay Jel Jel Sep Blay Jel Sep Blay Jel Bey Jel	10.86 10.67 10.63 10.60 10.61 10.82 10.82 10.82 76.95 76.95 77.16 77.95 17.95 18.4.45 88.33 90.20	-0.08 -0.08 CE 50 -0.40 M -0.00 CE 50 -0.40 M -0.00 CE 50 -0.40 M -0.40 CE 1.40 M -0.40 CE 1.4	10.95 10.74 10.72 10.70 10.66 10.66 73.54 75.44 75.44 76.85 77.20 77.75 6E (15 96.00 98.50 90.80 92.00	10.76 10.59 10.50 10.60 10.61 11.62 1 10.62 10	6,192 2,146 355 55 12 12 1,957 10 1,957 1,955 1,	254 254 254 254 254 254 254 254	Dubai Brent Brent W.T.I. W. O.B. Premiu Gas O. Heavy Naphta fu Becton PE (A) Gold () Gold () Gold () Fishinu	UDE Off. FOI Blend (dated Blend (Apr) PRODUCTS TO Gescitive Fuel Oil tal TURAL GAS I (Mar) son Argus. Yel. pr) HER Per troy 0213 TURAL TOY 0213 TURAL T	B (per 5 5 5 5 5 5 5 6 6 6 6 6 6 6 6 6 6 6 6	berrel) 17.41-7. 519.16-8 519.21-9 20.38-0. 10mpt del \$210-21 \$181-16 \$196-18 \$196-18 \$196-18 \$174-17 ####################################	45w	-0.045 0.12 0.07 0.17 (Iones) -2 -0.5 -3.0 -1 0.10
IF SUG. INTERPOLATION INTERPOLATIO	10.86 10.67 10.63 10.50 10.61 10.62 75.26 76.30 76.95 77.16 77.95 NGE JUI 84.45 88.05 88.30 90.20	-0.08 -0.08 CE 50 -0.40 M -0.00 CE 50 -0.40 M -0.00 CE 50 -0.40 M -0.40 CE 1.40 M -0.40 CE 1.4	10.95 10.74 10.72 10.70 10.66 10.66 73.54 75.44 75.44 76.85 77.20 77.75 6E (15 96.00 98.50 90.80 92.00	10.76 10.59 10.50 10.60 10.61 11.62 1 10.62 10	6,192 2,146 6,55 551 555 12 12 13 162 13 162 14 162 15 162 14 162 15 162 15 162 15 162 163 163 163 163 163 163 163 163 163 163	254 254 254 254 254 254 254 254	Dubai Brent Brent W.T.I. III OR. Premiu Gas O Heavy Naphti Jet fax Descript Andrew PE (A) Silver Patrada Pat	UDE Off. FOI Blend (dated, Blend (Apr) . PRODUCTS um Gesoline iii Fuel Oil iii ii	B (per 5 5 5 5 5 5 5 6 6 6 6 6 6 6 6 6 6 6 6	barrel) 17.41-7. 519.16-9 519.21-9 20.38-0. 5210-21 5781-16 594-96 5186-18 5186-18 5177-13 10.20 5352.3 5180.00 \$332.00 \$143.7	46w - 18 - 23 - 40w - 18 - 23 - 35 - 37 - 37 - 37 - 37 - 37 - 37 - 3	-0.045 0.12 0.07 0.17 (towns) -2 -0.5 -1 0.10
IF SUG. Blay Jel Ust Blar Blay Jel Total IF COT Mar Blay Jel Oct Dec Blar Total IF ORA Blay Jel Jel Sep Blay Jel Sep Blay Jel Bey Jel	10.86 10.67 10.63 10.50 10.61 10.62 75.26 76.30 76.95 77.16 77.95 NGE JUI 84.45 88.05 88.30 90.20	-0.08 -0.08 CE 50 -0.40 M -0.00 CE 50 -0.40 M -0.00 CE 50 -0.40 M -0.40 CE 1.40 M -0.40 CE 1.4	10.95 10.74 10.72 10.70 10.66 10.66 73.54 75.44 75.44 76.85 77.20 77.75 6E (15 96.00 98.50 90.80 92.00	10.76 10.59 10.50 10.60 10.61 11.62 1 10.62 10	6,192 2,146 355 55 12 12 1,957 10 1,957 1,955 1,	254 254 254 254 254 254 254 254	Dubai Brent Brent Brent W.T.I. I Off. Premie Gas O Heavy Nesty Jet fac Deser MAT ME CONTROL (Coppe Coppe Cop	UDE Off. FOI Bland (dated Bland (Apr) . PRODUCTS IM Gesoline II FURAL GAS . (Mar) . Mary . Tel. per troy cys . (per troy cys .	B (per 5 5 5 5 5 5 5 6 6 6 6 6 6 6 6 6 6 6 6	berrel) 17.41-7. \$19.16-8 \$19.21-9 20.38-0. \$210-21-9 \$210-21-9 \$186-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$10.15 \$196-18 \$10.20	45w 1.18 2.23 40cm (CF 2.23 3.39 2792 2792 2792 2792 2792 2792 2792 27	-0.045 0.12 0.07 0.17 (Iones) -2 -0.5 -3.0 -1 0.10
IF SUG. Blay Jel Ust Blar Blay Jel Total IF COT Mar Blay Jel Oct Dec Blar Total IF ORA Blay Jel Jel Sep Blay Jel Sep Blay Jel Bey Jel	10.86 10.67 10.63 10.50 10.61 10.62 75.26 76.30 76.95 77.16 77.95 NGE JUI 84.45 88.05 88.30 90.20	-0.08 -0.08 CE 50 -0.40 M -0.00 CE 50 -0.40 M -0.00 CE 50 -0.40 M -0.40 CE 1.40 M -0.40 CE 1.4	10.95 10.74 10.72 10.70 10.66 10.66 73.54 75.44 75.85 77.20 77.75 6E (15 96.00 98.50 90.80 92.00	10.76 10.59 10.50 10.60 10.61 11.62 1 10.62 10	6,192 2,146 355 55 12 12 1,957 10 1,957 1,955 1,	254 254 254 254 254 254 254 254	Dubai Brent Brent W.T.I. B OS. Premise O Heavy Naphti Jet fun Deser II MA Beston PE (A S OT) Platitud Palladi (Tim (Coppe	UDE Off. FOI Blend (dated, Blend (Apr) . PRODUCTS IN Gesoline III III III III III III III III III I	B (per 5 5 5 5 5 5 5 6 6 6 6 6 6 6 6 6 6 6 6	barrel) 17.41-7. 519.16-9 519.21-9 20.38-0. 10mpt dei \$210-21 \$181-16 \$186-18 \$186-18 \$186-18 \$174-17 7herm) 10.15 \$10.20 \$352.3 \$518.00 \$332.00 \$143.7	45w 118 22 22 23 25 25 27 22 25 25 27 22 25 25 27 22 25 25 27 22 25 25 25 27 22 25 25 25 27 22 25 25 25 27 22 25 25 25 25 25 25 25 25 25 25 25 25	-0.045 0.12 0.07 0.17 (Iones) -2 -0.5 -3.0 -1 0.10
IF SUG. Blay Jel Ust Blar Blay Jel Total IF COT Mar Blay Jel Oct Dec Blar Total IF ORA Blay Jel Jel Sep Blay Jel Sep Blay Jel Bey Jel	10.86 10.67 10.63 10.50 10.61 10.62 75.26 76.30 76.95 77.16 77.95 NGE JUI 84.45 88.05 88.30 90.20	-0.08 -0.08 CE 50 -0.40 M -0.00 CE 50 -0.40 M -0.00 CE 50 -0.40 M -0.40 CE 1.40 M -0.40 CE 1.4	10.95 10.74 10.72 10.70 10.66 10.66 73.54 75.44 75.85 77.20 77.75 6E (15 96.00 98.50 90.80 92.00	10.76 10.59 10.50 10.60 10.61 11.62 1 10.62 10	6,192 2,146 355 55 12 12 1,957 10 1,957 1,955 1,	254 254 254 254 254 254 254 254	E CRP Dubai Brant W.T.I. E OR. Promis Baston Napht Joese Baston Rector R	UDE Off. FOI Blend (dated, Blend (Apr) . PRODUCTS um Geschine ili Fuer Oil ha oil FUERAL GAS . (Mar) . April Tel. Per troy czj (per troy czj	B (per 5 5 5 5 5 5 5 6 6 6 6 6 6 6 6 6 6 6 6	berrel) 17.41-7. 19.16-9 19.21-9 20.38-0. 10mpt dei 20.38-0. 10mpt dei 20.38-0. 10mpt dei 20.38-0. 10.15-16 10.15-16 10.15-16 10.15-16 10.20	45w 45w 1.18 223 40w 1.18 223 53 53 53 53 53 53 53 53 53 53 53 53 53	-0.045 0.12 0.07 0.17 (tound) -2 -0.5 -3.0 -1 0.10 -7.70 6.00 3.25 6.00
IF SUG. Blay Jel Ust Blar Blay Jel Total IF COT Mar Blay Jel Oct Dec Blar Total IF ORA Blay Jel Jel Sep Blay Jel Sep Blay Jel Bey Jel	10.86 10.67 10.63 10.50 10.61 10.62 75.26 76.30 76.95 77.16 77.95 NGE JUI 84.45 88.05 88.30 90.20	-0.08 -0.08 CE 50 -0.40 M -0.00 CE 50 -0.40 M -0.00 CE 50 -0.40 M -0.40 CE 1.40 M -0.40 CE 1.4	10.95 10.74 10.72 10.70 10.66 10.66 73.54 75.44 75.85 77.20 77.75 6E (15 96.00 98.50 90.80 92.00	10.76 10.59 10.50 10.60 10.61 11.62 1 10.62 10	6,192 2,146 355 55 12 12 1,957 10 1,957 1,955 1,	254 254 254 254 254 254 254 254	III CRR Dubai Brent W.T.I. III Off. Premium Hestry Naphti Jet Ium Bacton Hestry Naphti Bacton Fremium Hestry Rept Gold (I) Silver II (I) Cottie	UDE Off. FOI Bland (dated Bland (Apr) . PRODUCTS IM Gasoline II FURAL GAS . (Mar) . Mary . Tel. per troy ozy . (per troy ozy .	B (per 5 5 5 5 5 5 5 6 6 6 6 6 6 6 6 6 6 6 6	berrei) 17.41-7. \$19.16-8 \$19.21-9 20.38-0. \$210-21 \$186-18 \$186-18 \$196-18 \$197-13 \$10.20 \$382.00 \$382.00 \$140.70 \$45.00 14.11r 271.50 98.18p	46w 418 223 440w 46w 47 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	-0.045 0.12 0.07 0.17 (tound) -2 -0.5 -1 0.10 0.10 -2 -1 0.10 -1 0.10 -1 0.10 -1 0.10 -1 0.10 -1 0.10 -1 0.07 -1 0.10 -1 0.07 -
IF SUG. Istay Jul Oct Mar Istay Jul Total	10.86 10.67 10.80 10.81 10.80 10.81 10.80 10.81 10.80 75.25 76.85 77.16 77.16 84.45 88.30 80.20 80.20 80.20	-0.02 -0.08 -0.08 CE 550 +0.48 +0.410 +0.21 -1.55 -1.22 NO. 1.1.25 -1.1.25 A	10.95 10.74 10.72 10.70 10.88 10.95 ,0000b; 77.55 77.95 77.95 77.95 77.95 77.95 90.80 92.90 92.90 95.50	10.76 10.59 10.60 10.61 10.61 10.62 73.15 74.95 74.95 76.95 77.70 1 3.000bs 83.50 83.50 83.50 92.00	6,192 6,192 2,146 955 65 15 1,97 1,97 1,97 1,97 1,97 1,97 1,97 1,97	254,033 241,035 1,869 41,181 264 11,114 60,591 1,114 60,591 1,114 60,591 1,114 1,	III CRR Dubai Brant W.T.I. III OB. Prantia Dessel III MA Bactor PE (A III OTI Tin (Kut Cuttie	UDE Off. FOI Blend (dated, Blend (Apr) . PRODUCTS um Geschine ili Fuer Oil ha oil FUERAL GAS . (Mar) . April Tel. Per troy czj (per troy czj	B (per 5 5 5 5 5 5 5 6 6 6 6 6 6 6 6 6 6 6 6	berrel) 17.41-7, \$19.16-9 \$19.21-9 20.38-0. \$210-21-9 \$198-18 \$198-18 \$198-18 \$198-18 \$174-11 \$10.15 \$177-13 10.20 \$382.00 \$382.00 \$382.00 \$14.17 271.50 98.189 146.09	46w 418 223 40w 40w 418 25 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	-0.045 -0.12 -0.07 -0.17 -0.17 -0.17 -0.19 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1
IF SUG. Bitry Jel Utt Mar Hely Jel Total IF COT Her Total IF ORA Her Total Total Total VOLUM Jen VOLUM VOLU	10.86 10.67 10.60 10.60 10.61 10.82 10.82 10.82 17.50 76.95 77.16 77.55 76.95 77.16 84.45 88.30 91.20 92.20 93.75	-0.02 -0.08 CE (50	10.95 10.74 10.72 10.70 10.86 10.86 10.86 72.54 75.44 75.44 75.45 77.25 77.25 77.25 86.00 88.50 89.50 92.90 92.50	10.76 10.59 10.59 10.60 10.61 10.62 1 10.62 73.15 74.95 74.95 76.95 77.70 1 1,000 to see 1 85.00 84.50 85.00	5,192 2,146 955 12 25 14 977 107 2 161 161 161 161 161 161 161 161 161 1	73,342 38,900 24,033 10,075 1,893 41,181 284 33,126 12,142 14,706 1,114 (4,698 4,595 1,948	E CRP Dubai Brant W.T.I. E OR. Prantia Bactoro	UDE Off. FOI Blend (dated, Blend (Apr) . PRODUCTS um Geschine ili Fuer Oil ha il TURAL GAS . (Mar) . April Tel. (per troy czj.	Pence	berrei) 17.41-7. \$19.16-8 \$19.21-9 20.38-0. \$210-21 \$186-18 \$186-18 \$196-18 \$197-13 \$10.20 \$382.00 \$382.00 \$140.70 \$45.00 14.11r 271.50 98.18p	46w 1.18 1.19 2.23 2.33 2.33 2.33 2.33 2.33 2.33 2.3	-0.045 0.12 0.07 0.17 (tound) -2 -0.5 -1 0.10 0.10 -2 -1 0.10 -1 0.10 -1 0.10 -1 0.10 -1 0.10 -1 0.10 -1 0.07 -1 0.10 -1 0.07 -
IF SUG. Interpolated to the control of the control	10.86 10.67 10.80 10.61 10.80 10.61 10.80 10.61 10.80 75.26 75.26 77.25	-0.02 -0.08 CE (50 +0.45 +0.44 +0.12	10.95 10.74 10.72 10.70 10.88 10.86 ,0000b: 77.55 77.55 77.55 77.55 90.80 92.90 92.90 95.50	10.76 10.59 10.60 10.61 10.61 10.62 10.61 10.62 77.15 77.25 77.76 10.00	5,192 2,146: 955 12 25 15 16 15 16 15 16 16 16 16 16 16 16 16 16 16 16 16 16	73,342 36,900 24,033 10,075 1,869 41,181 224 1,376 14,181 1,114 63,591 61,509 4,635 3,435 1,049 543 543 543 543 543 543 543 543 543 543	III CRI Dubai Brent W.T.I. III Off. Premium Heavy Naphti Bector III MA Bector Flaminu Gold () Silver I'In (Nt Cuttle Sheep Lead () Tin (nt Cuttle Lon, d, Lon,	UDE Off. FOI Bland (dated Bland (Apr) . PRODUCTS Im Gasoline II FURAL GAS . (Mar) . Mary . Tel. per troy ozyl . (per troy . (per t	Pence	berrel) 17.41-7. \$19.16-8 \$19.21-9 20.38-0. \$210-21-9 \$210-21-9 \$186-18 \$186-18 \$186-18 \$186-18 \$186-18 \$174-11 #herm) 10.15 \$18771-3 10.20 \$382.00 \$382.00 \$143.70 14.11r 271.50 98.18p 145.00c \$3.39p \$272.44 \$3310.50	46w 418 223 233 240w 227 25 25 27 27 27 27 27 27 27 27 27 27 27 27 27	-0.045 0.12 0.07 0.17 (Count) -2 -0.5 -3.0 -1 0.10 7.70 0.10 7.70 0.16 0.16 0.16
IF SUG. Bitry Jed Ust Silar Bisry Jed Total Total Bisr Bisr Total Bisr Total Total Total Total NYCLIR VÖDEN COPTIS NYCE One de	10.86 10.67 10.60 10.60 10.61 10.82	-0.02 -0.08 CE (50 H) 45 40 44 40 40 10 11 12 20 11 12 25 A and d CE (50 K)	10.95 10.74 10.70 10.85 10.85 10.85 73.54 75.44 75.44 75.45 77.25 77.25 77.25 90.80 92.90 92.90 95.50	10.76 10.59 10.59 10.60 10.61 10.62 1 10.62 1 10.62 1 10.62 1 10.62 1 10.62 1 10.62 1 10.63 1	5,192 2,146: 955 12 25 15 16 15 16 15 16 16 16 16 16 16 16 16 16 16 16 16 16	73,342 36,900 24,033 10,075 1,869 41,181 224 1,376 14,181 1,114 63,591 61,509 4,635 3,435 1,049 543 543 543 543 543 543 543 543 543 543	III CRR Dubai Brant W.T.I. III OB. Prantia III OB. Prantia III NA Bacton Bacton PE (A III OTI Tin (Na Catale Tin (Catale Catale Lon. di Bartey Pigs (II Lon. di Bartey Bartey Bacton Bac	UDE Off. FOI Blend (dated, Blend (Apr) . PRODUCTS IN Gesoline His Ges	Pencer (Pencer (Pencer (Pencer)	berrel) 17.41-7, 19.16-9 19.21-8 20.38-0, 19.21-8 20.38-0, 19.21-16 \$318-11 \$518-18 \$174-17 //hermi 10.15 10.20 \$352.36 \$3143.77 120.06 45.000 \$318-01 145.03 \$318-01 \$33.39p \$272.44 \$310.00	46w 418 223 319 319 319 319 319 319 319 319 319 31	-0.045 -0.12 -0.07 -0.17 (Normal) -2 -0.5 -3.0 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1
IF SUG. Bitry Jed Ust Silar Bisry Jed Total Total Bisr Bisr Total Bisr Total Total Total Total NYCLIR VÖDEN COPTIS NYCE One de	10.86 10.67 10.80 10.61 10.80 10.61 10.80 10.61 10.80 75.26 75.26 77.25	-0.02 -0.08 CE (50 H) 45 40 44 40 40 10 11 12 20 11 12 25 A and d CE (50 K)	10.95 10.74 10.70 10.85 10.85 10.85 73.54 75.44 75.44 75.45 77.25 77.25 77.25 90.80 92.90 92.90 95.50	10.76 10.59 10.59 10.60 10.61 10.62 1 10.62 1 10.62 1 10.62 1 10.62 1 10.62 1 10.62 1 10.63 1	5,192 2,146: 955 12 25 15 16 15 16 15 16 16 16 16 16 16 16 16 16 16 16 16 16	73,342 36,900 24,033 10,075 1,869 41,181 224 1,376 14,181 1,114 63,591 61,509 4,635 3,435 1,049 543 543 543 543 543 543 543 543 543 543	III CRP Dubai Brant W.T.I. III OB. Prantia III OB. Prantia III OB. III	UDE Off. FOI Bland (dated Bland (Apr) . PRODUCTS Im Gasoline II FURAL GAS . (Mar) . Mary . Tel. per troy ozyl . (per troy . (per t	B (per 5 5 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	berrel) 17.41-7. \$19.16-8 \$19.21-9 20.38-0. \$210-21-9 \$210-21-9 \$186-18 \$186-18 \$186-18 \$186-18 \$186-18 \$174-11 #herm) 10.15 \$18771-3 10.20 \$382.00 \$382.00 \$143.70 14.11r 271.50 98.18p 145.00c \$3.39p \$272.44 \$3310.50	46w 418 223 319 319 319 319 319 319 319 319 319 31	-0.045 -0.12 -0.07 -0.17 (Normal) -2 -0.5 -3.0 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1
IF SUG. Bitry Jed Ust Silar Bisry Jed Total Total Bisr Bisr Total Bisr Total Total Total Total NYCLIR VÖDEN COPTIS NYCE One de	10.86 10.67 10.60 10.60 10.61 10.82	-0.02 -0.08 CE (50 H) 45 40 44 40 40 10 11 12 20 11 12 25 A and d CE (50 K)	10.95 10.74 10.70 10.85 10.85 10.85 73.54 75.44 75.44 75.45 77.25 77.25 77.25 90.80 92.90 92.90 95.50	10.76 10.59 10.59 10.60 10.61 10.62 1 10.62 1 10.62 1 10.62 1 10.62 1 10.62 1 10.62 1 10.63 1	5,192 2,146: 955 12 25 15 16 15 16 15 16 16 16 16 16 16 16 16 16 16 16 16 16	73,342 36,900 24,033 10,075 1,869 41,181 224 1,376 14,181 1,114 63,591 61,509 4,635 3,435 1,049 543 543 543 543 543 543 543 543 543 543	III CRR Dubai Brant W.T.I. II OB. Prantia Dessel III MA Becton PErson III (M. III OT III (M. III OT III (M. III OT III (M. III OT III (M. III	UDE Off. FOI Blend (dated, Blend (Apr) . PRODUCTS IN Gasoline ill Fuel Oil ha hi Fuel Oil hi Fuel	B (per 5 5 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	berrel) 17.41-7. \$19.16-9 \$19.21-9 20.38-0. \$210-21-9 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$196-18 \$140-19 \$114-19 \$10.15 \$1977) 3 10.20 \$14.17 \$10.20 \$14.17 \$145.00 \$14.17 \$145.00 \$14.17 \$197.14 \$10.00 \$14.17 \$10.00 \$1.00	46w 418 223 319 319 319 319 319 319 319 319 319 31	-0.045 -0.12 -0.07 -0.17 (Normal) -2 -0.5 -3.0 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1
B SUG Blay Jul Oct Blar Blay Jul Open Contra NYCE one di totala betata be	10.86 10.67 10.80 10.81 10.80 10.61 10.80 75.26 76.56 77.16 84.45 88.30 80.20 83.75 84.45 88.30 80.20 83.75	-0.02 -0.08 CE (50 H) 45 40 44 40 40 10 11 12 20 11 12 25 A and d CE (50 K)	10.95 10.74 10.70 10.85 10.85 10.85 73.54 75.44 75.44 75.45 77.25 77.25 77.25 90.80 92.90 92.90 95.50	10.76 10.59 10.59 10.60 10.61 10.62 1 10.62 1 10.62 1 10.62 1 10.62 1 10.62 1 10.62 1 10.63 1	5,192 2,146: 955 12 25 15 16 15 16 15 16 16 16 16 16 16 16 16 16 16 16 16 16	73,342 36,900 24,033 10,075 1,869 41,181 224 1,376 14,181 1,114 63,591 61,509 4,635 3,435 1,049 543 543 543 543 543 543 543 543 543 543	III CRR Dubai Brent W.T.I. III OB. Prantia III OB. Bestor Naphtia Bestor III NA Bestor Prantia Gold () () Tin (Ne Cattle Britin () Tin (Ne Cattle Britin () Tin (Ne Cattle Britin () Tin () Britin Britin () Britin	UDE Off. FOI Blend (dated, Blend (Apr) . PRODUCTS IN Gesoline His IN Gesoline	Pencer (Pencer	berrel) 17.41-7. 19.16-9 19.21-8 20.38-0. 10mpt dei 210-21 \$186-18 \$186-18 \$186-18 \$174-17 //herm) 10.15 \$174-17 //herm) 10.15 \$10.20 \$352.30 \$143.77 120.00 45.000 14.117 271.50 98.18p 14.13.79 18.38p \$272.44 \$310.50 Unq 76.50p 79.50p	46w 418 223 319 319 319 319 319 319 319 319 319 31	-0.045 -0.12 -0.07 -0.17 (Normal) -2 -0.5 -3.0 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1
IF SUG. Bitry Jed Ust Silar Bisry Jed Total Total Bisr Bisr Total Bisr Total Total Total Total NYCLIR VÖDEN COPTIS NYCE One de	10.86 10.67 10.80 10.61 10.80 10.61 10.80 10.61 10.80 75.20 76.50 77.55 77.55 77.55 84.46 88.03 88.20 80.20 80.20 80.20 80.30 80.20 80.30 80 80.30 80.30 80 80 80 80 80 80 80 80 80 80 80 80 80	-0.02 -0.08 CE (50 -0.08 A d of CE V V A d of CE V A d of CE V A d of CE V V A d of CE V A d o	10.95 10.74 10.75 10.70 10.88 10.86 ,0000b: 72.54 73.65 77.75 60.00 88.50 90.80 92.50 95.50 Okume ed mo	10.76 10.59 10.60 10.61 10.61 10.62 10.61 10.62 10.61 10.62 10.60 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.63	5,192 2,146: 955 12 25 15 16 15 16 15 16 16 16 16 16 16 16 16 16 16 16 16 16	73,342 36,900 24,033 10,075 1,869 41,181 224 1,376 14,181 1,114 63,591 61,509 4,635 3,435 1,049 543 543 543 543 543 543 543 543 543 543	III CRP Dubai Brent W.T.I. II OB. Pranti III OB. Pranti III OB. III MA Bacton PPE (A. III OT) PRESI III (No Coppe Laad () Tin (No Catala Lon. di Lon. di Lon. di Lon. di Lon. di Rubber Rubber Rubber Rubber Rubber Rubber	UDE Off. FOI Blend (dated, Blend (Apr) . PRODUCTS m Gescline iii rural GAS rural GAS i (Mar) iii (Mar) iii (per troy czj ii (per troy czj iii (per troy czj ii (per troy czj iii (per troy czj i	Pencer (Pencer	berrel) 17.41-7. \$19.16-8 \$19.21-8 \$210-2:\$\$186-18 \$186-18 \$186-18 \$196-19 \$196-19 \$196-19 \$196-19 \$196-19 \$196-19 \$196-19 \$170-19 \$10.15 \$197-19 \$10.20 \$182-00 \$14.17 \$271.50 98.18p \$272.46 \$310.50 Unq 79.50p 79.50p 304.0a	46w 418 223 233 236 6 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	-0.045 -0.12 -0.07 -0.17 (Norm) -2 -0.5 -3.0 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1
B SUG Bitry July July Got Bitry July Got Bitry July Got Bitry Bitry Bitry Bitry Bitry Bitry July Got Bitry July Got Bitry July Got Bitry July July July July July July July Jul	10.86 10.67 10.80 10.61 10.80 10.61 10.82 TON NY 73.50 76.96 76.96 77.18 84.51 88.06 88.30 90.20 93.75 MIS DAT Interest cits trade CS yin are for a	-0.02 -0.08 CE (50 +0.45 +0.04 +0.12 2 NN +0.14 +0.12 2 NN +0.15 +	10.95 10.72 10.72 10.75 10.85 10.85 ,0006b 77.55 77.55 77.55 77.55 88.50 98.80	10.76 10.59 10.60 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.61 10.62 10.63	5,192 2,146 551 655 12 12 655 12 12 655 12 12 655 12 12 655 16 12 655 16	73,342 36,903 24,033 10,075 1,869 933 41,181 224 1,114 63,591 14,766 1,114 63,591 14,768 1,114 14,698 4,635 3,435 1,049 543 543 543 543 543 543 543 543	III CRR Dubai Brant W.T.I. III OB. Prantia W.T.I. III OB. Prantia Descel III NA Bactoro Period Silver III (Na Coppe Patriol Coppe Patriol Coppe Patriol Coppe Patriol Rubber Rubber Rubber Patriol Rubber Rubber	UDE Off. FOI Blend (dated, Blend (Apr) . PRODUCTS IM Gesoline His Gas FURAL GAS I (Mar)	Pencer (Pencer	berrel) 17.41-7. 19.16-9 19.21-8 20.38-0. 10mpt dei 210-21 \$186-18 \$186-18 \$186-18 \$174-17 //herm) 10.15 \$174-17 //herm) 10.15 \$10.20 \$352.30 \$143.77 120.00 45.000 14.117 271.50 98.18p 14.13.79 18.38p \$272.44 \$310.50 Unq 76.50p 79.50p	46w 4.18 223 440w 46m 76 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	-0.045 0.12 0.07 0.17 (tound) -2 -0.5 -1 0.10 -1 0.10 -1 0.10 -1 0.10 -1 0.10 -1 0.10 -1 0.00 -
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disposition invites success." KARUO MANORE KYOCERA, world leader in high-tech ceramic Fex 00-49 - 21 31 - 12 93 40 CROSSWORD No.9,317 Set by HIGHLANDER 1 The Spanish put offshore bank first? Nonsense! (8) mally (9) 5 Emergency starts to curtail rowing on Oxford waters Street where cleaner is kept? (4-1) Managers' carnings unfor 9 Reserve place on a team 10 Criticise when going on nal rise (8) 11 Where to sleep over taking 12 Retire to resort having fed time that's owed (4) 15 it came with gin stirred mysterious (9) 14 Stable area where one can hear to think quietly (4) pliots up (8) 18 Parent raised another one 18 Parent raised another it's obvious (8) that's on child's toe (7) Tip over top amount (7) 20 Garden resident at Number 21 Leave separate lines for performers (4) Ten once (4) 21 Time put into long, elabo 24 Half heal limb in distress 25 Need representation about ale contracted respiratory fat that's absorbed (9) problem (6) 23 Head off? Engineers will 27 Is better than concealing lamb's first characteristic cries (8)

make it stick (6)
26 Yellowish head missing earlier, according to poet

6 Where water collect

28 Worn in desert and on board before scrape (8)

29 Charm of some authentic Egyptian artefacts (6) 30 One-stage process for phase of human development (5,3)

I Area that's infertile: new trees died first (6) 2 Try solid unfinished archi-

ectural style (6) 3 Result: come next, two points ahead of girl (5) 4 Aim to have paths lying end to end (7)

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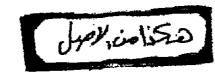
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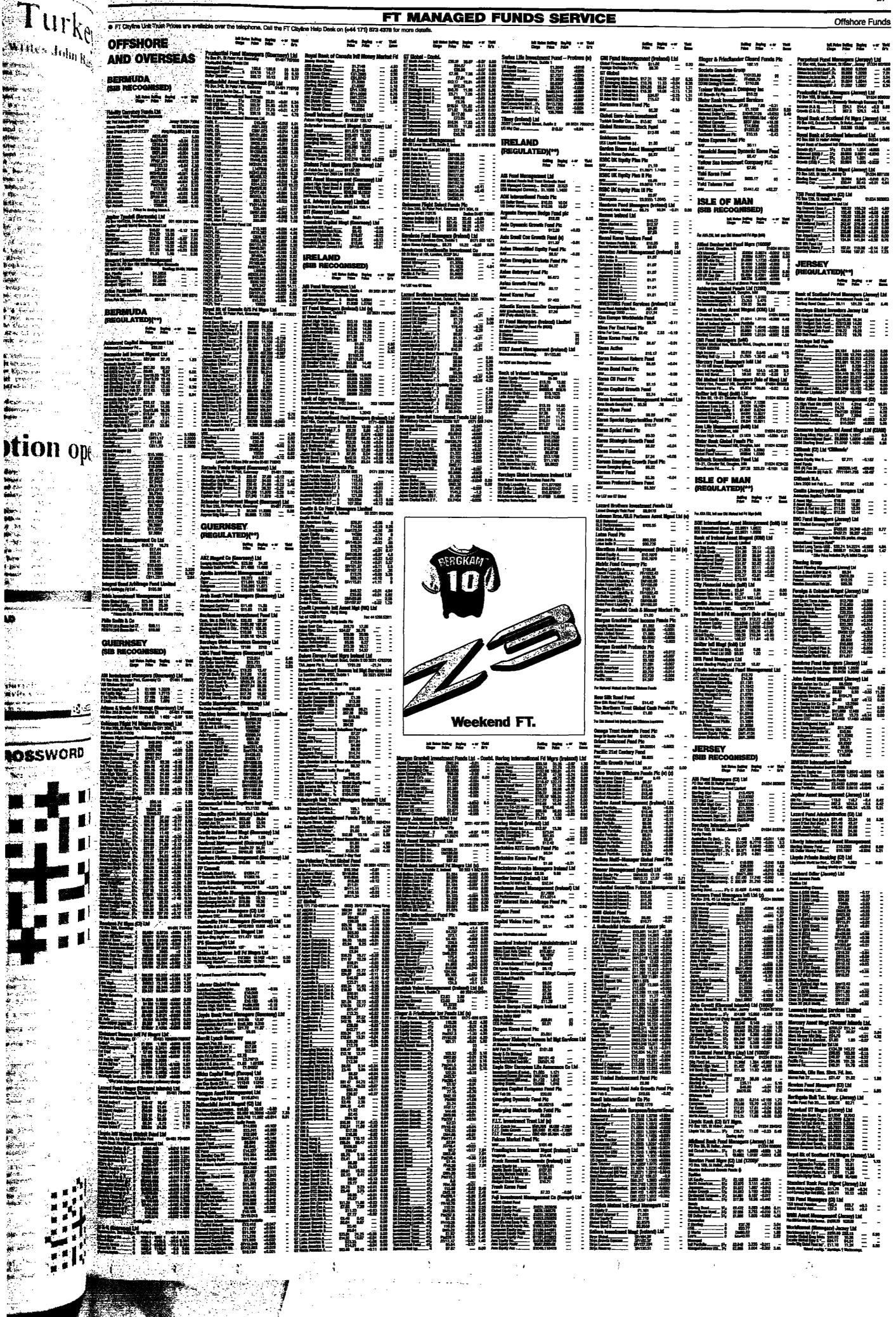
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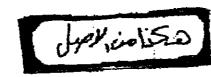
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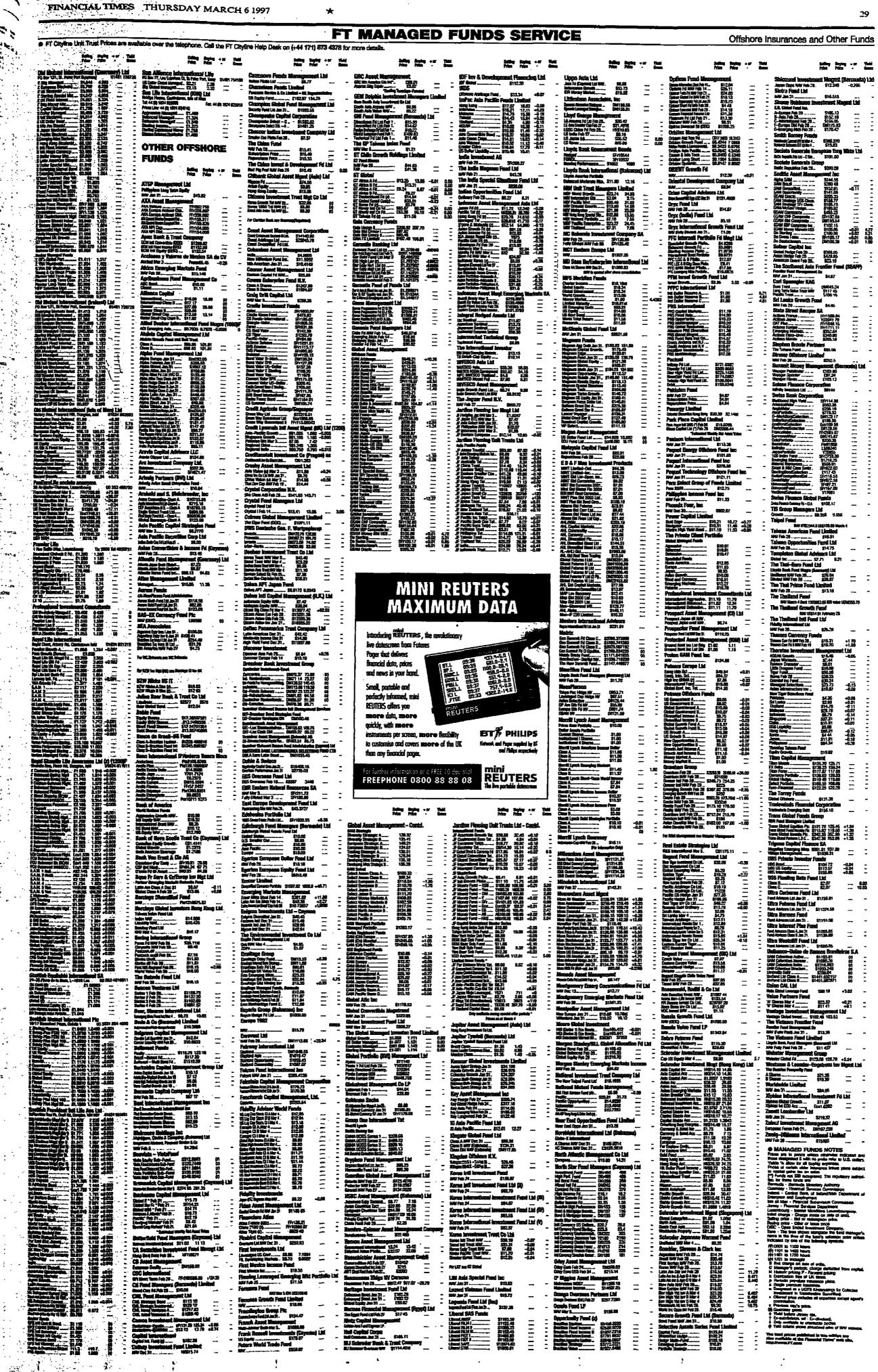
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LONDON STOCK EXCHANGE

Strong rally sees Footsie at new closing high

MARKET REPORT By Steve Thompson, UK Stock Market Editor

Small pockets of profit-taking and general nervousness ahead of the latest statements from Mr Alan Greenspan, chairman of the US Federal Reserve put London's equity market under pressure for much of vesterday.

But a strong opening by Wall Street gave investors in London renewed confidence and the FTSE 100 index ended the session at a new record close.

Average was up around 40 points Cap never able to struggle as London closed for business. It into

from the Fed chairman, who told economists prior to his second were correct then Wall Street was properly valued.

Footsie settled 2.4 higher at 4,360.1. The FTSE 250, meanwhile, was never under any real pressure and shrugged off any early flurry of selling in the second liners, eventually finishing the trading day on a strong note, up 12.0 at a new intra-day and closing record of 4,678.6. Smaller stocks were the only

The Dow Jones Industrial disappointment, with the Smallpositive ground and

was responding to comments finishing 0.1 lower at 2,353.1. instruments, weakened amid Dealers said London had behaved remarkably well during part testimony to Congress that a difficult morning which saw if analysts' earnings forecasts some of the more nervous fund managers book profits in the wake of the worryingly steep 66 points fall in the Dow overnight.

The forces said to have driven Wall Street lower included revived concerns about the pace of US economic growth. There was also some anxiety

about the poor performance of gilts, which always looked vulnerable and which eventually fell around a full point at the long end, mirroring some hefty falls in German bunds. The latter, as

renewed concerns about a delay in the single currency timetable. The regular monthly meeting between Mr Kenneth Clarke, chancellor, and Mr Eddie George, governor of the Bank of England, brought, as expected, no sign of a

change in UK interest rates.

Marketmakers said London, after its early retreat, had felt increasingly comfortable as the day wore on. One said: "There was plenty of new money coming into the market and chasing increasingly small amounts of available stock. The institutions are awash with cash and there is more to come as the inflow well as most European debt of PEP (personal equity

ings, is said to be benefitting

from the increased building

enhanced by UBS reiterating

its positive stance on the

shares. Analysts at the secu-

rities house suggest inves-

tors buy the shares for the

"improvement in the quality

of earnings and initial posi-

tive indications from the

recent Hawker Siddely

7150 following the announce-

ment that Accor is selling

cent stake in the contract

catering group. Dresdner

Kleinwort Benson started

accepting tenders from insti-

tutions yesterday. The price

range for the stock is

Accor has agreed that it

will not sell any more

Compass stock for 12 months

but there was concern that

the French group may seek

to amend the terms before

J D Wetherspoon hard-

ened 10 to 1.157%p following

positive comment over its

results. NatWest Securities

moved the stock from a

BAT Industries slid 181/4 to

531p as the tobacco and

insurance conglomerate pro-

duced figures at the bottom

of the range of analysts' fore-

casts because of a £160m

Oil shares were firm as the

continuing slide in the

underlying oil price began to

be offset by a reversal of the

dollar against sterling. BP

lifted 5 to 692%p and Shell Transport 7 to 1,063%p, but the biggest gains were seen

duction stocks. British-

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between 697p and 720p.

Compass Group fell 27% to

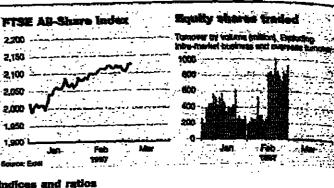
activity.

aconisition".

plan) money builds up." He said the general perception that Wall Street is seriously overvalued was causing few worries in London where the market is increasingly well supported

Talk that a hid/merger is being assembled in the insurance sector continued to drive the life and composite stocks. Potential bidders were said to include the Halifax Building Society, soon to assume banking status, as well as a long list of UK, European and Japanese companies.

Turnover at 6pm was 810m shares. Customer business on Monday was a massive £3.5bn. thanks to buy-backs in Southern Electric and Yorkshire Water.



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Tobacco Oil Exploration

Goldman drugs warning

By Peter John, Lisa Wood and Joel Kibazo

Leading pharmaceuticals re-rating from Goldman Sachs. The broker believes that the many warnings about the strength of sterling have failed to address the full picture and concentrated mainly on the effect on the dollar.

Goldman has, however. gone beyond the dollar and researched the effect of sterling's shift against a group of other currencies - mainly in Europe but including the Japanese yen - which hetween them account for 40 per cent of earnings.

Analyst Mr John Murphy said: "Against 1996 average rates, the dollar is only 4 per cent down against sterling while rates in Europe and Japan are around 17 per cent

On the eve of Glaxo Wellcome's full-year figures and in anticipation that the world's biggest pharmaceuticals group will warn on the continuing currency drain. Goldman has cut earnings figures for the UK's big

It has sliced its Glaxo at 210p as PDFM announced earnings per share estimate by 5 per cent to 55.1p for 1997. And it has reduced its per cent. SmithKline Beecham figure by 2.5 per cent to 40.6p.

But Goldman believes the main casualty of the pound's re-rating will be Zeneca. While the other two manufacture overseas. Zeneca is more of a pure exporter. Goldman has slashed its current year earnings per share forecast for Zeneca by 6.3 per

cent to 74.3p.
Glaxo, also affected by one US journal's report of sideeffects from extended use of groups were hit by a stark inhaled steroids by elderly people, fell 21 to 1,035p. SmithKline dipped 11/4 to 9194p and Zeneca, which reports figures next Tuesday, fell 19 to 1,363%p.

The takeover rumour squeeze among Footsie stocks continued yesterday with much of the energy shifting on to Reed Interna-

There has been talk recently about a link between Reed and Reuters and also talk of corporate activity between Elsevier, Reed's Dutch arm and Wolters Kluwer of the Netherlands.

The shares jumped 39 to 1,181%p, while Reuters fell 151/2 to 644p on turnover of 7.4m. However, there appeared little strong foundation to the speculation and Reed's turnover was light.

On Tuesday, Reckitt & Colman and Zeneca were seen as possible bid targets but both stocks fell yesterday. Mirror Group was steady

it had bought 500,000 shares and raised its stake to 18.1

Cadbury Schwennes dipped on the announcement

of its results but later rallied shareholder value rather sion, responsible for a large strongly to close a net 19 up at 529p, following a presentation to the City by Mr John Sunderland, its chief executive officer.

Analysts said that Mr Sunderland had impressed the City with a strong exposition of his strategy. The market, in addition to a number of brokers who are very bearish on the stock, has been wary of Cadbury for several reasons, including the prospects for its North American beverages businesses, as well as the confectionery and soft drinks group's capacity to

issue paper. Mr Sunderland said the company would pay more attention to enhancing shareholder value. Analysts said that the introduction of "value management" – that is, running the portfolio of

than shorter term earnings growth - was positive. Mr David Lang, food man-

ufacturing analyst at Henderson Crosthwaite, said this was the first time that Mr Sunderland had told the City what he stood for.

Mr Lang said: "The market was pleased by the introduction of value management but he will have to demonstrate that the North American beverage business can hold market share against Coca Cola and Persi."

Engineering group FKI was boosted by favourable news from the US together just over half of its 21.5 per with a broker's recommendation. The shares ended the session 41/4 ahead at 190p, after busy trade of 4.1m.

Positive news on housing starts in the US were said to be one of the factors driving the shares yesterday. The businesses for longer term group's US hardware divi-

·	Mar 5	Mar 4	Mar 3	Feb 28	Feb 27	Yr ago	High	"Low_
FT 30	2892.5	2884,6	2845.8	2847,5	2870,6	2794.9	2985.2	2668.8
Ord. dlv. yield	3.91	3.92	3.97	3.96	3.94	1.86	4.22	3,76
P/E natio net						18.84		
P/E ratio n⊎						16.62		15.71
FT 30 since complis	tion; high ;	2965.2 19	/04/96: lov	48.4 264	06/4Q. Bes	a Date: 1/	7/35.	

Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2877.9 2886.1 2876.6 2877.0 2877.1 2881.7 2889.8 2895.1 2821.9 2896.8 2874.4

	Mar 5	Mar 4	Mar 3	Feb 28	Feb 27 '	Yr ago
SEAO bargains	52,508	50.812	50.381	46,175	45.962 .	35,021
Equity turnover (2m)†	-	NA.	3522.6	3101.5	2886.6	1697.0
Equity bargainst	_	NA.	42,651	41,371	44.713	38.596
Shares traded (mil)†	_	NA	2426,1	926.0	823.5	629.7
tExcluding intra-market an	d overseas	tenøver.			_	
Mars 5	54a- 4	11- 0 E-	- 200 5-2	77 14		

Mer 5 Mar 4 Mar 3 Feb 28 Feb 27 Yr ago "High "Low 1129.3 1132.3 1133.9 1134.3 1133.9 990.2 1149.4 965.7

Rises and falls'		52 Week highs	and lows	LiffE Equity opti	Oths
Total Rises	665	Total Highs	170	Total contracts	25,939
Total Falls	526	Total Loves	28		12.014
Same	1,261	_	-	Puts	13,925
Mar 5 'Data bas	ed on Eq	ulty shares listed o	on the Lor	ndon, Shara Sarvice.	

group, improved 14% to 669p

as BZW turned buyer. Figures from T&N disappart of the group's US earnpointed the market. Analysts downgraded current year Sentiment was further profit expectations by around £21m to £135m, citing higher-than-expected restructuring costs and the recent strength of sterling for the change.

The shares eased 3 to 156%p, with one analyst saying: "The shares should have fallen much further but with the asbestos claims now capped this company is

regarded as a bid candidate." Profit-taking and reports of difficult trading conditions in some of its markets left BICC, the cables and construction group, 8 lighter at 271½p.

British Aerospace shares moved up 15% to 1,337%p, another closing high

=:	FTSE 100 INDEX FUTURES (LIFFE) C.5 per felt index point										
	Open	Sett price	Change	High	Low	Est. Vol	Open int				
Var	4333.0	4348.0	+6.0	4357 Q	13360	15399	58165				
kın	. 4355.0	4367.5	+55	4383.5		3495	10334				
ieo	4383.0	4383.0	+6.0	4363.0	4383.0	10	2317				
F	TSE 250 INDE	X FUTURES	(UFFB) £	10 par tul	Index por	**	<u> </u>				
Aar	4680.D	4683.0	+13.0	4683.0	4880.0	380 -	8226				
LITT.	4700.0	4701.0	•	4701.0	4700.0	380	180				
r	TSE 100 PADE	X OPTION (JFFE) (*49	59) EtG	per full ind	ek point	<u> </u>				
	4200 42	50 4300			4450	4500	4550				
	CPC	PCF				C P	C P				
	163 8 11642	(約 75% 24 42% 189 57	2 2 4	18 TQ							

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point 4175 4225 4275 4325 4375 4425 4476 4525 173½ 6 133 10½ 91 16 54½ 31½ 27 54 11½ 80 3 12½ 1 177½ 22 27½ 161 38 12½ 69½ 90½ 6½ 62 65½ 35½ 113 22 146 12 86½ 22 43 186 54½ 149 69 118 67 91 105½ 67½ 136 48½ 166 33 20 22 43 186 54½ 149 69 118 67 91 105½ 67½ 136 48½ 166 33 20 22 22 ½ 118 20 145½ 165½ 172 95 151½ 72 177½ 94½ 20 272½ 118 209½ 143½ 185½ 125 95 151½ 72 177½ 94½ 209 272½ 118 209½ 143½ 185½ 125 95 151½ 72 177½ 94½ 209 272½ 118

TRADING VOLUME

Major Stocks Yesterday

918 11,800 11,400 12,200 11,800 12,200 11,800 12,80

LONDON RECENT ISSUES: EQUITIES

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					Gross dir yield %			
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Laporte, the chemicals

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LISBON STOCK EXCHANGE

THE MARKET TO WATCH IN EUROPE.

The performance of the Portuguese economy in 1996 provided a very positive impact on the Lisbon Stock Exchange, with the BVL 30 Index rising 34.8 %.

reached 24.5 billion USD, a 33.2 % increase on 1995, in USD terms, while turnover increased a to 7.1 billion USD.

Market capitalisation, in equities,

Investor's confidence in our market and in the say development of the economy, is being reflected in performance of the Lisbon Stock Exchange in 1997.

As of January 31st, market capitalisation reached 26.7 ball USD, a 6.5 % increase on December 1996, in USD terms.

The BVL 30 Index rose 13.2 % in January, while the new posted a 95.5 % increase, on the same period of last year to billion USD.

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MEDAS COMMETORA Sec. Correlation 3.6 Galeries Garrel, Ibis Gyrell, 13725 M Lisbon - Inl - 340 04 00, Fax: 343 16 56 At VALORES - Soc Fig. de Carreloga As 24 de Julio, 50° 1200 (labora Tel. 395,38 86° for 395,39° (8) NCO DEALER See Francisco de Co An de Berre, 24 D - 6" / filtre locato Alies, P. 1050 Ushon Tek: 791 94.00 Trace: 791 945 MRS Sociedade Constant S.A. Au de Boorise, 3321 - 3", Sale 302 - 41,50 from W. 102 610 41 67 For 102 610 41 64 Tel. (02) 410 41 67 For: (02) 410 41 44
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Rus des Flores, 276 - 278 - 4050 Porto Tel: (02) 607 90 30 Fee; (02) 600 78 87

FTSE Actuaries Share Indices Day's Year Div. Net P/E Xd adj. Total Mar 5 chga% Mar 4 Mar 3 Feb 28 ago yleid% cover ratio ytd. Return +0.1 4357.7 4307.1 4308.3 3758.9 3.66 2.08 16.40 18.14 1831.81 +0.3 4686.8 4654.5 4654.4 4276.7 3.36 1.43 26.01 11.97 1922.72 +0.3 4709.6 4698.0 4697.2 4298.2 3.44 1.45 25.04 11.65 1946.60 +0.1 2154.4 2133.5 2134.0 1882.3 3.60 1.95 17.80 8.24 1850.43 2070.2 2047.4 2048.4 1870.0 4.72 1.94 14.41 5.98 1497.98 +0.2 2246.0 2227.1 2227.0 190.4 2.43 2.17 23.18 10.57 1588.07 2353.16 2351.37 2353.90 2071.79 2.90 1.67 25.82 6.83 1971.96 2363.56 2362.54 2364.78 2052.58 3.08 1.74 23.41 6.72 1994.57 +0.1 2128.38 2107.27 2107.88 1856.65 3.54 1.93 1824 7.98 1853.77 FTSE 350 Higher Viels lustry Sections: Day's Day's Mar 6 chge% Mar 4 Mer 3 Feb 28 ago yield% cover ratio ytd Return ■ FTSE Actuaries k +0.8 4015.45 3962.11 3978.42 3282.45 3.70 2.10 18.09 15.36 1780.22 1.1 4055.09 4019.70 4007.05 4250.47 3.98 2.33 18.48 0.00 1213.33 +0.7 4129.74 4062.59 4080.67 3312.59 3.92 2.08 15.35 20.17 1881.31 +1.1 3454.47 3442.53 3478.81 2250.26 1.56 1.79 44.87 0.00 2118.16 15 Oil, integrated(3) 16 Oil Exploration & Prod(12) 20 GEN ANDUSTRIALS(272) 21 Building & Construction(35) 22 Building Mattle & Merchs(32) 26 Engineering(70) 27 Engineering, Vehicles(13) 28 Paper, Polog & Printing(27 28 Teodiles & Apparel(14) -0.7 4331.83 4089.92 4090.83 3596.10 3.57 1.88 18.77 12.98 1556.22 11.3 2744.94 2712.82 2721.36 2830.80 4.84 1.87 14.41 31.28 1041.76 -0.1 2822.60 2812.03 2831.70 2556.02 3.88 1.85 17.38 5.51 1308.09 -0.2 2912.80 2859.08 2865.41 2524.48 3.47 2.26 15.98 1.06 1173.58 2212.68 2244.75 2259.29 1983.79 2.71 1.90 24.26 1.13 1370.20 -1.1 6498.16 6403.39 6408.50 5084.88 2.87 1.84 25.48 14.48 2225.00 -3.1 4573.78 4548.84 4481.36 4747.38 8.11 1.85 11.07 0.00 1141.58 33 Food Producers 36 Health Care(16) 37 Phamuscuticals(18) 38 Tobacco(2) 41 Distributors(30) 41 Clastroutora;30) 42 Luisure & Hotele(31) 43 Media(44) 44 Retallera, Food(15) 45 Retallera, General(53) 47 Brewerles, Pubs & Rest (22) 43 Support Services(58) 48 Transport(22) +0.3 2735.35 2716.15 2704.29 2470.08 4.89 1.49 17.12 5.34 1247.07 +0.4 2921.76 2890.41 2856.88 2763.08 6.77 2.20 9.83 22.08 1620.10 +0.3 1594.81 1576.30 1580.78 1591.45 7.62 ‡ \$0.00 675.40 +0.2 2267.96 2287.77 2274.95 2038.62 3.63 1.56 22.03 0.38 1087.53 +0.5 2529.21 2513.08 2525.75 2156.10 5.92 2.31 9.15 0.00 1470.06 60 UTBLITTIES(31) 62 Electricity(10) 64 Gas Distribution(2) 68 Telecommunications 68 Water(11) 2173.94 2156.20 2153.24 1964.94 3.60 1.84 18.88 6.10 1899.67 69 NON-FINANCIALS(881) +0.4 3945.98 3895.64 3920.23 2955.47 3.56 2.37 14.81 29.27 1761.78 +0.4 5746.84 5851.95 5724.84 4188.23 3.47 2.66 13.56 63.60 1953.26 +0.2 1775.36 1754.47 1726.93 1431.18 4.81 2.19 11.85 4.50 1382.65 +0.5 4801.83 4556.49 4574.10 3562.12 3.48 2.13 16.86 0.00 1966.93 +0.6 3255.70 3230.35 3246.08 2245.07 2.99 2.01 20.76 9.29 1920.36 +0.1 1906.68 1897.26 1896.05 1448.13 3.33 1.32 28.48 3.31 1208.72 70 FINANCIALS(106) 71 Banks, Retail(5) 73 Insurance(18) 74 Life Assurance 77 Other Phands 79 Property(44) 80 INVESTMENT TRUSTS(127) 3341.403342.27 3326.12 3330.34 3155.27 2.16 1.12 61.83 10.12 1187.21 2128.32 +0.1 2126.38 2107 27 2107.88 1858.65 3.54 1.83 18.24 7.98 1853.77 89 FTSE AB-Share(914) 1339.48 +0.1 1337.73 1336.99 1336.15 1160.09 2.90 0.57 75.55 4.33 1429.89 1361.60 +0.1 1368.58 1356.94 1357.98 1181.31 3.16 0.51 78.00 4.48 1455.86

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	BIG (1985년) 1986년 - 1987년 1일	

second day running. The

general index rose 0.65 per

cent to 2,715.54. The dollar

helped lift Ericsson Bs by

SKr5.50 to SKr252.50; it

helped too, in engineers

where Atlas Copco rose

SKr9.50 to SKr183, and SKR

However, among the recently ebullient financials.

the insurer, Skandia, fell-

SKr3 to SKr225 after lower

HELSINKI saw a 28 per

cent gain in the forestry sec.

ther on Turkish political tensions, the IMKB-100 index

closing 71 lower at 1.372 and

taking its losses to 14.9 per

cent over three days.
ATHENS, in contrast,

staged a 6.5 per cent recov-

ery after virtual stasis on

Tuesday, and a preceding

three-session decline of 17

Construction stocks led

the rally, their strength cred-

ited to speculation on

Athens's candidacy to host

than expected profits.

by SKr4 to SKr193.

Dow moves up as bonds regain poise

US share prices continued on their recently volatile path, with most major stock indices rebounding by around half a percentage point after sharp losses the previous day, writes Richard Waters in New York.

A return of stability to the bond market, after several days of losses, contributed to the bounce, as the market awaited the day's testimony from Mr Alan Greenspan, the Fed chairman.

By lunchtime, the Dow Jones Industrial Average was 36.56 higher at 6,889.28, a move which reversed some of the 66.2 points that it lost on Tuesday. The broader was 3.90 higher at 794.85, while the Nasdaq composite

rose 6.69 to 1,324.06. Boeing led gains among Dow stocks, rising \$31/4 to \$1031. Also recording gains were cyclical stocks like Caterpillar, which rose \$1% to \$79%, and growth stocks such as Merck, \$11/2 higher at

The Dow's most actively down \$77 at \$234.

traded constituent was AT&T which recovered some lost ground after the rout sparked by Monday's profits warning. The shares were up \$16 in heavy trading to \$36%, leaving them \$3% below their close at the end

of last week Shares in Kmart, the discount retailer, were also traded heavily after the company released stronger-thanexpected earnings. The stock rose \$1/4 during the morning to \$13%, a rise of 4 per cent.

The technology sector, meanwhile, continued to recover after its recent correction. Semi-conductor stocks rose, with Micron Technology up \$1% at \$41% and National Semiconductor Standard & Poor's 500 index \$1% higher at \$29%. Intel rose \$1% to \$148%.

Shares in Broderbund Software, which issued an earnings warning late on Tuesday, fell heavily. The company said it expected between 15-20 cents a share, compared with the 31 cents that Wall Street had been expecting. The shares were

TORONTO followed Wall Street higher, solid gains for the broad market making up for continued weakness among golds. At noon, the 300 composite index was up 12.95 at 6,168.00.

Renewed weakness for the bullion price kept gold shares out of favour. Barrick Gold shed 75 cents to C\$37.10 and Placer Dome came off 30 cents to C\$27.40. Better-thanexpected final-quarter earnings left Loewen Group

C\$1.05 better at C\$45.75. MEXICO CITY was flat at midsession as a bullish reaction to lower-than-expected interest rate increases was muted by nervousness about the peso's reaction. The IPC index edged 2.21 higher to 3,757,90.

SAO PAULO was marginally higher at midsession, but in hesitant trade ahead of testimony later in the day from Mr Alan Greenspan. more than 1 per cent higher, partly boosted by an early rise in the Dow, before investors took profits. By noon the index was 44 higher at 9.005.

the reason why German industrial output fell by 1.7 per cent in January. PARIS reversed initial losses with a powerful late run which left the CAC 40

The dollar's ascent, the

tic product data, downbeat

January industrial orders

and softer bunds as the Dax

index peaked at an Ibis-indi-

cated 3,392.13. The key index

set an all-time closing high

of 3,375.45, up 30.36, and

turnover climbed from

DM15.8m to DM17.3bn, its

highest since the DM19.5bn

Among the day's big win-

ners, MAN, the truckmaker

and engineer, rose DM19.50

or 4.3 per cent to DM470 as

Morgan Stanley added it to

its buy list. Continental

gained DM1.12 or 3.3 per cent

to DM34.75 after the tyre-

maker reported a 68 per cent

Construction stocks pep-

pered the Ibis losers. Holz-

mann shed DM21 or 3.7 per

cent to DM540. Hochtief

DM2.30 to DM74.60 and

Bilfinger & Berger DM1.45 to

DM69.50. A weak construc-

tion sector was advanced as

jump in 1996 profits.

of July 18 last year.

high ground.

index 14.50 higher at record 2,666.19.

Alcatel Alsthom FF128.00 to FF1636 after Robapparent softening of Mr ert Fleming Securities added Alan Greenspan's strictures the shares to its list of recon US share prices and a ommended European stocks. recovery on Wall Street took Among financials, Bancaire five senior bourses into new turned in an even stronger performance, adding FFr40 FRANKFURT shrugged off weak domestic gross domes

or 5.6 per cent at FF7752. Accor, which is to sell a FFr2bn stake in a UK group. jumped FFr24 to FFr799 while Buoygues, the construction leader, made up for recent slack trading with a rise of FFr26 to FFr582.

Renault ran into renewed profit-taking, sliding FFr2.70 to FFr139.2 following further protests about the closure of its Belgian factory and the apparent intervention of the French government.

Danone continued to gain ground, adding FFr28 to FFr943 on renewed rumours of a packaging disposal.

Trade was also boosted by gossip that Parmalat of Italy had join the queue of companies stalking the yoghurt leader.

AMSTERDAM swung round in late trading to push the AEX index up 1.83 to 755.23, another all-time high. Philips continued to move up rapidly, buoyed by US buying and news of further

mangement changes. The shares gained Fl 2.60 to F192.50 for a two-day rise of almost 8 per cent. Secondary stocks saw

In Osaka, the OSE average

fell 195.26 to 19,340.38 in

THE EUROPEAN SERIES Open 10.30 11.00 12.00 13.00 14.00 15.00 Close FTSE Eurotrack 100 2136.81 2157.73 2157.41 2157.90 2158.17 2152.56 2166.66 2168.43 FTSE Eurotrack 200 2136.40 2155.90 2196.55 2166.45 2196.12 2188.80 2200.64 2204.80

Senior bourses in new high ground

Feb 28 Feb 27 Feb 26 Mar 3 2140.38 2149.57 2152.00 .2180.91 2187.43 2191.93 2125.96 2166.74 2154.26 2196.96 Barn value 1000 (26710572; Highelter, 100 - 2167.55; 200 - 2205.71; Lunckler, 100 - 2158.90 200 - 2194.27 1 Partial © FISE international Limitate 1587. All digits personnel

ASM Lithe jump F13.375 to tory brought no big sur-FI 71 after a strong buy prises. One analyst said that recommendation from Morgan Stanley. Stork put on Fl 1.60 to Fl 81.40 following Tuesday's strong results plus reports that an acquisition was in the pipeline.

ZURICH came to terms with the realisation that expectations for 1996 earnines may have been too high and the market moved back to record levels, consoled by the view that the dollar's performance would contribute more to this year's results than most analysts had dared to hope.

The SMI index picked up 33.4 to 4.547.1, surpassing the previous peak set on Wednesday last week before the sharply lower-thanexpected figures from SMH and ABB ushered in a three

day consolidation. Credit Suisse Group was at the centre of attention, picking up to a high of SFr161 before settling back to close 25 centimes easier at SF158.25 as the bank's first

gross operating profit proved Kymmene boosted interest in forestries, its atrong results taking the shares up another FM4.60 to FM13.50 after Tuesday's FM4.10 gain. somewhat better than expected. But more important, the bank's four business units were now separately capable of measurement in terms of

their profitability. MILAN pulled back after Tuesday's strong showing as political tensions returned. along with further questions about the introduction of a single European currency. The Comit index lost 8.61 to 746.87 while the real-time Militel index lost 95 to 11,905.

Fiat, sharply higher in recent sessions on indications of good sales, gave back L70 to L5,406; analysts noted that the company denied rumours on Tuesday of a link with Chrysler.

Generali lost L316 to L30,365, little moved by news late in the session that 1996 net profit was in line with that registered in 1995. Parmalat lost L78 to L2,357 amid rumours in Paris that

it was buying Danone stock.

STOCKHOLM peaked for a

the 2004 Olympic Games, as the general index ended 79.15 higher at 1,292.17.

per cent.

Written and edited by William Cochrene, Michael Morgan and

South Africa retreats on bullion worries

ran into further beavy selling following another soggy day for bullion. Sentiment was also weak in the broader

1,432.9 for a two-day decline 11 per cent to R54.

Emerging markets: IFC weekly investable price indices

index fell 62.2 to 7,070.4. of almost 9 per cent. Dealers Industrials came off 35.2 to blamed reports that the 8,248.8 while golds took Swiss central bank planned another direct hit from bulto sell gold reserves. West-

lion worries, slid 60.00 to ern Areas fell R6.50 or nearly

		Dollar terms			Lo	CREAT CURTOMICY	terms
	No. of	Feb 28	% Change	% Спапре	Feb 28	% Change	% Change
Market	stocics	1996	over week	on Dec '96	1996	over week	on Dec '96
Latin America	(249)	624,63	-1.0	+16.1		•	
Argentina	(30)	1,034.27	-3.3	£8∔	634,348.70	3.3	8.8÷
Brazil	(68)	486.62	+1.1	+22.8	1,913,29	+1.1	+24.2
Chile	(45)	719.78	+0.2	+16.1	1,192.04	-0.1	+13.0
Colombia ¹	· (14)	757.28	0.0	+19.6	1,442,98	+0.3	+27.9
Mexico	(64)	595.13	-3.7	+12.4	2,044.66	-1.1	+13,8
Perui	(19)	224.61	+2.4	+14.1	363,30	+3.2	+16.3
Venezuele ³	(9)	750.01	-0.8	+3.0	8,271,89	+0.9	+3.8
Asks ·	(711)	269.09	+0.3	+16.1			
Chins!	(27)	74.20	+6.0	+0,7	77.70	+6.0	+0.6
South Koreas	(156)	76.19	-3.8	-1 <i>A</i>	86.57	-3.0	+0.8
Philippines	(42)	301,68	+0.5	+2.7	383.74	+0.4	+2.9
Talwan, China	(90)	169.25	+2.5	+10.4	174.88	+2.2	+10.5
indle ⁷	(79)	91,06	+5.7	+15.6	118.02	+5.7	+15.8
Indonesia*	(49)	135.72	+0.2	+6.3	176,76	+0.6	+7.9
Maleysia	(148)	363.13	+0.1	+7.9	332.84	+0.3	+6.1
Pakistan*	(28)	253.40	-6.4	+29.5	462,91	-6.4	+29.5
Şri Lanka"	(5)	100,48	+0.4	+5.7	126.06	+0.4	+7.1
Thailand	(87)	192.52	~3.1	~13.0	197,96	-3.2	-12.2
Euro/Mild East	(305)	168.90	-0.9	+18.3	•		
Czach Rep	(7)	<i>75.4</i> 4	-5.5	+7.5	73.12	-3.3	, +15.1
Egypt	(16)	110.70	-4.0	-	110,45	-4.1	. –
Greece	(54)	310.73	-3.1	+28.2	557.17	-2.6	+37.6
Hungary"	(12)	240.84	-2.0	+22.4	508.64	-1.3	+32.9
Jordan	(7)	192.68	+0.8	+3.2	287.55	+0.8	+3.1
Morocco	(5)	108.50	+3.5	-	111,13	+3.6	- .
Potand [®]	. (30)	840.50	-3.4	+14.8	1,618.29	-3.0	+22.7
Portugal	(28)	159.53	-1.3	+9.2	186,16	-0.8	+19.4
Russia	(15)	118.82	+1.0	-	120.12	+1.3	_
Stovalda	(5)	112.08	8.0 ₊	-	114.61	+1.4	· -
South African	(63)	234.73	-0.3	+12.5	217.20	-0.3	+7.8
Turkey*	(58)	227.59	-0.6	+53.0	13,146.19	+0.6	+72.5
Zimbabwe®	(5)	604.86	B.0+	+27.8	995.88	+1.3	+31.9
Composite	(1285)	330.62	-0.4	+12.1			

hytem are calculated at anti-mait, mackly changes are percentage interment from the province Fidely. Dase class, Dac 1988—100 excep Trace noted which are: (IFab 1 1991; CyDec 37 1992; CyLan 5 1990; 19Dac 31 1982; CyLan 3 1982; GiLan 4 1991; (TyDev 6 1992; GY 1990; 1994ar 1 1991; 1705 Dec 31 1992; (17)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) Auf 2 1993

Russia and Brazil look set to be among the best performers in the large emerging markets during the coming year, a London conference was told yesterday, writes Michael Morgan. Mr Barton Biggs, chairman of Morgan Stanley Asset Management, speaking in a recorded interview, singled out Russia on its remaining potential for growth and said that Brazil was still the biggest and most exciting story in Latin America. Sao Paulo had done well over the last couple of years

but, he said, "it still has a long way to go". Turning to Asia. Mr Biggs picked the Thai market, which he likened to Mexico in 1995, and which he saw as "incredibly cheap". The same went for South Korea, a bear market for some time, and still suffering from problems with its labour unions. Mr Biggs regarded India as one of the biggest stories of the coming century; the country undoubtedly faced problems, but that was why its valuations were so low.

In another recorded interview for the Fifth Annual Emerging Markets Funds conference, attended by 140 specialists, Mr. Mark Mobius, president of Templeton Emerging Markets Fund, said that he expected emerging markets to perform better this year than in 1996 as investors switched funds from increasingly expensive developed markets. He shared Mr Biggs' enthusiasm for Korea, Thailand and India. He also liked the look of Hong Kong with Chinese investors, looking beyond the territory's increase on personal con-handover to Beijing, pouring money into sumption weighed on departhandover to Beijing, pouring money into the property market. South Africa, a big disappointment for many investors with valuations that remain high, still had considerable longer term potential, he said. In eastern Europe, Hungary and Poland had been strong performers while Greece, Portugal and Turkey offereed good value while in Latin America, Brazil, Argentina and

Mexico were also likely to do well in 1997.

vehicles, closed flat at Y589 after an intra-day 12-month high of Y597. The strength of its performance in the United States, and domestic demand for its new Forrester sport-utility vehicle, helped

level removed the incentive for buying them.

3 to 5 per cent. Volume improved from

344m shares to an estimated 431m, bolstered by crosstrades to enable domestic investors to book profits for the 31 March year-end book-

1,371.92, and the capitalweighted Nikkei 300 by 3.29 to 262.48

50 index gained 6.70 to

ment store stocks. Mitsukoshi dropped Y16 to Y703, Daimaru Y13 to Y535, and

Weaker yen sends Tokyo into decline

export-oriented issues disappeared as the yen weakened. and TOKYO retreated after a

The Nikkei 225 average fell 291.27 to 18,273.51 after moving between 18,208.23 and 18,657.32. Overnight strength in Nikkei futures quoted in Chicago encouraged an early advance, with the focus on blue-chip exporters. But the market lost ground from mid-morning onwards as the dollar's move to the Y121

closing. Declines outstripped advances by 882 to 239 with 146 unchanged. With 31 of its 33 sectors ending lower, the Tovix index of all first section stocks dropped 16.02 to

Honda ended Y40 lower on profit-taking after raising its all-time high to Y3,880, but Fuji Heavy Industries, a leading maker of minicars

and four-wheel drive

The justification for buying firm start, writes Jonathan

it buck the downward trend. The non-life insurance sector was one of the two to close higher. The insurers are regarded by some investors as similar to mutual funds because of their huge equity portfolios, against the value of which the insurance company's shares trade at a discount. Tokio Marine and Fire climbed Y20 to Y1,230.

With little else to justify price levels, profit-taking emerged, and declines were extended on arbitrage sales after a decline in June index futures on concern that the economy would falter in the wake of the April 1 rise in consumption tax (VAT) from

In London, the ISE/Nikkei

The implications of the tax

Isetan Y80 to Y1.250.

cigarette maker, the JKSE for direct shipping links volume of 161.1m shares. composite index ending 9.36 BANGKOK saw late bargain hunting, mainly by forlower at 686.16. Active bargain hunting of eign investors in banking stocks, and a fall of more

SET index 5.02 lower at 683.72. Trading was thin with turnover at Bt4.65bn. However, investors continued to offload their finance company stocks on lingering worries about their financial

than 2 per cent by the lunch

break narrowed to 0.7 per

cent at the close with the

health, said a broker. Dhana Siam Finance dipped Bt4.25 to Bt39.25. JAKARTA fell 1.35 per

cent on disappointment with 1996 earnings of key compa-

some stocks belonging to the Lippo Group led a late rebound from an intra-day fall of more than 2 per cent but traders expected further weakness today on reports of rises in the domestic inflation rate and fears of higher interest rates in the US.

TAIPEI broke through the 8,000 resistance level on the weighted index to close 82.89 or 0.8 per cent better at 8.019.46 the highest level since early 1990. Turnover

surged to T\$143.6bn Transport shares were

between Talwan and China. First Steamship jumped T\$1.60 to T\$25.50.

SEOUL closed lower after a bout of foreign selling towards the close. The composite index ended off 5.07 at 674.90. The cabinet reshuffle including the naming of a new finance minister, was said to have had little impact on sentiment. Trading volume rose to 38.8m shares from 28 lm on Tues-

on the first day of the new account. The 100-share index. ended 19.36 or 1.20 per cent. higher at 1636.53 after reachnies such as Sampoerna, the active, buoyed by prospects ing a session high of 1,652.



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AS INDIVIDUAL AS YOU ARE

THE CAR ACTIVABLE WAR S WAS	IOPO
FT/S&P ACTUARIES WORLD IND	ICES
	ational Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indic

REGIONAL MARKETS				SDAY M	ARCH 4	1997					MARC	H 3 1997	7	DOLLAR INDEX			
	US	Day's	Pound			اهجوما	rocal	Gr055	US	Pound		_	(OCS			Year	
•				Yen		Currency		Drv.	Dollar	Sterling	Yen		Currency!				
of stock in	KÓĐA.		Index	Index	Index	index	OU GEA	Yield	Index	Index	Index	Index	Index	High	LOW	(sbbcox)	
Australia (761	20.63	0.9	202,28	169.90	196.06	186,12	0.6	4.08	218,57	200.10		192,42	185, 11	224,61	188.44	202,74	
Austria (24)18		-0.8	169.34	142.23	164.14	164.08	0.1	1.78	186,23	170.49	142.23			195.04	174.70		
Beiglum (26)		-0.4	215,09	180.66	206.49	204,00	9.0	3.20	235.44		179.82		202.87		203,64		
Brazii (28)		0.2	216.01	181.43		456.01	0.2	1.33	235.15	215.28	179.60	207.02	454.96	242.07	147,48	160.81	
Caneda (114)		0.1	181.28	152.25	175.70	196,03	0.3	1.68	197,41	180.72		173.79		203.24	153,61	155.35	
Denmark (32)		0.3	333,63	280.22	323.39	322.71	1.2	1.36	362.79			319.39		376.09	291,30		
Finland (28)2		1.6	235.91	198.15	226.67	275,23	2.1	1.92	253,39			223.08			174,47		
France (91)		1.0	202,20	169.83	195.99	199 45	1,9	2.62	218.38	199.93		192.26	185.82		183.87		
Germany (59)19		0.7	180.70	151.78	175.16		1.7	1.48	195.67	179.13		172.28	172.26		184,47		
Hong Kong (59)46	33.53	-0.1	452.57	380,13	438.68	490.81	-0.1	3.17	491,20	452.43		435.08		514,48	402,53	439.54	
Indonesia (27)24		-0.8	227.10	190.75	220 14	363.64	-0.9	1.46	249.70			219,83	387.03	-	-		
heland (16)		-0.4	306 07	257.08	296.68	300.30	-Q 1	3.13	335.31	306.97	256.08		300.49		255.18		
taly (58)		0.3	78.49	65.92	76.08	108.97	0.9	1 97	85.33	78.12	65.17	75.12		96.32	70.61	77.96	
Japan (490)11		-02	108.51	89.46	103-24	89.46	0.7	0.68	116.36	105.52	88.87				109.16		
Malaysia (107)		-0.8	590.80			614.24	-0.9	1.03	649.3B			571,70		680.85	512.47		
Merceo (27)133		-0.5				11658.78	-1.0	0.94					11777.70				
Netherland (18)		1.4	218,01	267.11	308.25	304.34	2.4	2.51	342.05			301.14		354.05	274,35	280.81	
New Zestand (14)		0.8	80.B3	67.9 0	78.35	66.51	0.3	4.25	87 <i>.4</i> 4	80.05	66.7B	78.98	66.27	95.6 0	75.94	81.63	
Norway (41) 2		0.1	273,43	229,65	265,03	281 81	1,9	2.14	298.05	272.87	227.64	262,40	276.58	321.23	235.31	238.83	
Philippines (22)		-1.0	187-21	157.24	181.46	267.87	-1.0	0.65	208.25	188.82		181.58	270.58	-	-	~	
Singapore (43)4		-0.2	386.23	324.40	374,38	276.89	σœ	1.00	421.96	386.30	322.27	371.AB	276.99	449.15	371.28	447.08	
South Africa (44)36		0.3	332.96	279.68	322.77	352.82	-0.4	2.37	362,22	331.61	276.64	318.89	354,09	390,34	301,49	388.60	
Spein (35)		0.5	189.91	159.51	184.08	226,99	1.2	2.81	205.12	188.70	157.A2	181,46	224.33	228,16	161.86	164.58	
Sweden (49)42		0.8	393.85	330.81	381.77	486.29	1.7	2 13	425.96	389.96	325.33	375.00	478.20	437.08	325.50	337.89	
Switzerland (35)24		0.6	226.30	190.14	218,43	227,08	12	1.32	245.34	224.60	187,38	215.89	224,45	254,34	229.35	233.18	
Thalland (48)		-4,3	70.51	59.23	68.35	77. 4 3	-4.1	4.38	80.34	73.55	61,36	70.73	80.77	187,79	75.46	181.18	
Unded Kingdom (212)28		0,8	258.65	217.25	250.71	258.65	1.1	3.76	279.57	257.95	213.52	245.13	255.95	284,47	224.39	232.66	
USA (654)	21.62	-0,5	294.87	247.67	285,82	321.62	0.5	1.86	323.06	295.76	245,74	284.41	323.08	331,54	254,79	265.96	
Americas (823)25	94,49	-0.4	270.00	226.78	261.71	247.85	-C.4	1.85	295,71	270.72	225,85	280.33	248.87	303.45	233.09	242.52	
Europe (725)24		0.8	222.89	187.21	216.05	228.24	1,4	2.69	241.17	220,79	184,19	212.32	223.18	245.79	201.66	206,41	
Nortic (150)	71.40	2,2	340.51	286.00	330.06	363.11	1.7	1.98	368.52	337.38	281.48	324.44	357.03	379.62	282.52		
Pacific Basin (873)10	37.50	-0,1	126.07	105.89	122,20	104,95	0.4	1.38	137.68	128.05	105.15	121.21	104.49	177.01	131.50	163.08	
Euro-Pacific (1598)	S1.50	8.4	165.40	139.75	181 29	150.75	1.0	2.11	180,79	185.51	138,08	159.16	149.32	191,51	176,40	187.04	
North America (768)31	14.12	-0.4	287.99	241.89	279 15	313.34	-0.4	1.86	315.44	286.78	240,91	277.70	314.64	323.69	248.65	259.13	
Europe Ex. UK (513)21		9.0	198.94	167.03	192.83	203.97	1.6	2.07	215.38	197.18	164,50	189.62	200.85	219,72	183,36	187.31	
Pocific Ex. Japan (393)31		0,1	288.89	242.64	280,02	272.10	-0.2	2.73	315.26	289,61		277.54	272.63		268.97	291.24	
World Ex. US (1811)18	55.23	0.4	169.82	142.64	164.61	156.87	89	2.09	184.55	168.95		162,47	155.51		177.71	182.39	
World Ex. UK (2253)22	23.57	-0.1	204,98	172.17	196,69	198.70	0.2	1.79	223.84	204,92		197,08	198.38		199.58		
World Ex. Japan (1985)26	6.02	0.0	262.23	220,26	254.19	276.51	0.2	2.19	285.99	261.83	216,43	251.78		281.77	233,10		
The World Index (2465)22	28.57	0.0	209.56	176.02	203.13	204,15	0.2	198	228.61		174 60			233.38			

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People, Companies, New and updated Page 2 Focus: European motor industry Pages 3-6 Financing

FINANCIAL TIMES QUARTERLY REVIEW OF THE AUTOMOTIVE INDUSTRY

Thursday March 6:1997

Arrests have prompted motor manufacturers to review purchasing procedures, although suppliers claim opportunities for kickbacks are diminishing. Haig Simonian reports

Carmakers go on ethical alert

Actor manufacturers on both ides of the Atlantic are undertaking emergency reviews if their purchasing procedures fier allegations of corruption in he procurement operations of wo of the world's biggest

The reviews follow the arrest y prosecutors in Switzerland nd Germany of at least two nanagers in conjunction with llegations that employees of ⁷olkswagen, Europe's biggest armaker, and ABB, the wiss-Swedish industrial group,

nto decipospired to inflate the price of a contract in return for kickbacks. Full-scale reviews on the vexed ssues of confidentiality and atellectual property rights took lace after the defection of eight anding executives from General fotors for Volkswagen in 1993, nd the impact now could be

> Indeed, senior executives at a umber of leading European upply companies say the ractice of giving kickbacks to -urchasing managers in return -ir contracts remains ingrained a the European motor industry, -1 spite of widespread attempts o eradicate such practices in ecent years. Opel, GM's German ubsidiary, is also investigating

ribery allegations. 'We've never penetrated some ontinental European markets as auch as we would have liked, nd always wondered wby," says he European marketing head of ne leading UK motor industry

supplier. "The Italian components business is largely controlled by Flat, while in France we've never been able to decide whether the barriers have been corruption or just nationalism. But we've known corruption was one of the causes

in Germany," he says. By contrast to the new focus on corruption in Europe, kickbacks appear less prevalent in Japan. The reasons may lie in the strong horizontal links between parts makers and car companies, which often own shares in their "captive" supply

"It is highly likely that if a parts maker were asked to pay a bribe, it would discuss the matter with its 'parent' company and news of the request would spread through the industry," says one Japanese executive.

The latest inquiries have stemmed from a row late last year between VW and ABB, the Swiss-Swedish industrial group, over allegations that ABB employees agreed to pay bribes to win an order for automated equipment for the new paint shop at VW's Skoda subsidiary in the Czech Republic.

VW has instigated a wide ranging internal investigation, leading to staff suspensions in its purchasing department. The company and ABB have also provided enough evidence for criminal investigations in Zurich and

Braunschweig, the administrative centre nearest VW's north German headquarters.

Some suppliers argue the potential for corruption in the industry was decreasing, even before the introduction of new codes of ethics, such as that at

They claim strategic changes under way in the industry, which have altered the balance of power between carmakers and their suppliers, may have made suppliers less likely to offer bribes and more resistant to attempts to extort them.

"The rationalisation of the components industry, which has been partly triggered by carmakers' desire to deal with fewer, bigger partners, is creating a new breed of supply company which has the resources to police its activities more effectively than the small or medium-sized family-owned suppliers typical in Germany," says one German purchasing manager.

One recommendation is for companies to commit themselves to informing the police whenever an employee is believed to have paid or received a bribe. Generally, such cases have been dealt with by immediate dismissal, without bringing in the police.

"Only by immediately writes John Griffiths. reporting such incidents to the authorities can kickbacks be eradicated for good," says one senior industry executive.



Renault closure highlights over-capacity

blockading a Belgian car plant which the French automotive group Renault intends to close in July, highlight a deepening costs and over-capacity crisis facing the European motor industry,

The decision by Renault to close its Vilvoorde plant near Brussels, with the loss of around 3,000 jobs, has led to appeals cot/Citroen, is increasingly des-

Fierce protests by workers from Belgium's prime minister, perate to cut costs but is still Mr Jean-Luc Dehaene, to his French counterpart, Mr Alain Juppé, to prevent closure. French car unions, fearing the loss of further jobs within Renault plants in France itself, are mounting a number of pro-

> The French car industry, primarily Renault and PSA Peug

smarting from French government rejections of its pleas for help to fund a big slimmingdown of the country's car workforce through early retirement and voluntary redundancies.

The Belgian furore coincides with decisions by Ford and Fiat to slim down or close car and truck plants in the UK. Europe's profits squeeze, P3__

Welcome to **FTauto**

Welcome to the first issue of the Financial Times Review of the Automotive Industry, the FT's new regular survey of developments in the industry

Due to appear four times a year, FTauto will complement the FT's daily coverage of the industry, bringing new insights into the main developments affecting the industry and its suppliers and customers

This issue, timed to coincide with this week's important Geneva motor show, takes a special look at the problems of over-capacity affecting the industry in Europe and at the way in which manufacturers are responding. Subsequent issues will examine the industry in other important world

manufacturing centres. Sections within each issue will also look at the individuals driving this most competitive of businesses forward, at the new technologies being developed to increase the safety, reliability and comfort of vehicles, at the advances being made in manufacturing technologies and at the pressures being exerted throughout the supply and financing chains.

Future issues of FTauto are planned for June 5. September 4 and December 4. Comments from readers - those working within the industry or customers – on matters arising from this issue or of relevance to future issues are welcomed and should be sent to: The Editor, FT Review of the Surveys, Number One Southwark Bridge, London SE1

Production Editor: lan MacDonald

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Steven Bernard

YOU'RE BUYING JAGUAR, YOU'LL HAVE NO TROUBLE AT THE BANK.

The notion of owning a Jaguar XJ Sport isn't an over-the-top one by any means.

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Quite a nice feeling, isn't it? Knowing that you don't have to manage a bank to manage a Jaguar.



Companies

Don't be fooled by new public image

During less than two years in his job as chairman of Daimler-Benz, Mr Jürgen Schrempp has emerged as the most controversial manager in

He was never part of Germany's corporate elite, with their upper middle-class backgrounds, conservative politics, and gentle manners. The chairman of one of Germany's largest industrial groups once privately described Mr Schrempp as "a young boy who is still wet behind the ears". This pretty much summed up the German establishment view of the enfant terrible of the corporate sector.

The perception has changed since because Mr Schrempp tackled the most pressing problems of Germany's largest industrial concern in a way that few outsiders, let alone insiders, would have thought possible. He pulled the company out of its unprofitable industrial and energy interests and, most controversially, abandoned its regional commercial aircraft business when he stopped financial support for Fokker, the Dutch group, before selling off the majority of Denvice.

ornier. Outside Germany, Mr Schrempp was more highly regarded from the outset. Mr Jack Welch, chairman of General Electric, of the US, sees Mr Schrempp as one of a new generation of German managers who is not afraid to break

old taboos.
Inside Germany, many have underestimated the man who started his working life as a car mechanic at Mercedes-Benz. He later spent many years working for Mercedes in South Africa, and in the late 1980s he became chairman of Daimler-Benz. Aerospace (Dasa). In 1995, he took over from Mr Edzard Reuter as chairman of Daimler-Benz.

His fiercest rival for the job was Mr Helmut Werner, chairman of Mercedes-Benz, with whom Mr Schrempp shared an uneasy working relationship until Mr Werner's resignation at the beginning of this year. On one occasion last year, during a public reception, a cigar-smoking Mr Schrempp put his arms around Mr Werner, who appeared distinctly uncomfortable in Mr Schrempp's tight grip. Alluding to a rumour circulating at the time – according to which Mr Werner would take over as chairman of Daimler's supervisory

hoard - Mr Schrempp was reported to have told Mr Werner that evening. "Last night I dreamt that you were sacking me, rather than me sacking you."

Mr Werner embodies a very different type of manager. He is a suave and elegant man, impeccably dressed, a natural orator, who fits in well with the country's industrial elite. Unlike Mr Schrempp, Mr Werner was not a life-long Daimler's career man; he was at Continental, the German tyre company, before joining Mercedes in the early

Mr Werner left Mercedes in
January of his own accord after
losing the power battle with Mr
Schrempp. He would have had little
choice other than to accept the

dubious title of deputy chairman of Daimler-Benz.

With not much more to sell off – except perhaps some smaller industrial interests – Mr Schrempp will now devote his attention to managing the operational business,

which essentially consists of making

Jürgen Shrempp: change of tactics, but still the tough man of German industry

cars, trucks, aeroplanes and trains.
Since his appointment to the top
job at Daimler. Mr Schrempp has
mellowed his public image. He is
still a proponent of shareholder
value, but no longer uses the term so
as to avoid offending his German
workforce. But these are only
outward appearances and tactics. Mr
Schrempp remains the most
aggressive top executive of his
generation in Germany.

Wolfgang Münchau

Full speed ahead to join global market

M&A activity is strong in the motor components industry at a time when manufacturers are chasing new opportunities, says **John Griffiths**

Leading members of the automotive components industry, all rapidly acquiring global capability, are showing no signs of applying the brakes in their hot pursuit of carmakers into emerging markets.

Europe's carmakers and suppliers have no option but to look outside their traditional territories if they want to retain their long-term interest, says Mr Steve Utting, a partner in accountants Price Waterhouse, whose European automotive team has just completed a survey* of merger and acquisition (M&A) activity.

Some 310 such transactions took place within the European vehicle and components sectors last year, with a declared value of £7.30n, according to the survey. But Mr Utting maintains that their true value could be double this, as the value of some of the larger continental European deals traditionally is not disclosed.

Of the total, 176 were within the components industry, with a declared value of £5.9bn. Significantly, 46 of them involved takeovers by rapidly-expand-

ing North American groups.

"We are concerned that some European businesses may get left behind through falling to recognise the pace of change, and the need to exploit the opportunities presented by the emerging markets of Asia, South America and India," warns Mr Utting. Despite the large numbers of mergers and acquisitions which have already taken place, Price

of scope for more, particularly among Germany's family-owned and conservativelyrun "Mittelstand" companies – those which belong in the small and medium-sized sec-

The effects of many of last year's mergers and acquisitions are destined to reverberate around the world. The merger of Lucas Industries of the UK and Varity of the US has catapaulted the group into the world's top 10 suppliers, and has created a powerful new international force in braking, diesel engines, fuel systems and electronics.

The £1bn acquisition by Robert Bosch, of Germany, of AlliedSignal's global brakes business, Johnson Controls' £863m purchase of Prince Automotive, the vehicles interior company, and other big deals are helping to reshape the world automotive components business into one where a predicted 25 to 30 "mega-suppliers" will dominate the business by early next cen-

According to the authors of a Financial Times management report to be published shortly, the declared value of mergers worldwide this year is likely to rise to around \$15bn. "One thing is certain, companies today must grow to remain competitive, or die", warns the report, which forecasts that by the end of the decade some 450 suppliers, most with turnovers over \$100m, will go out of business. A further 375 will be acquired.

numbers of mergers and further 375 will be acquired.
acquisitions which have Some within the automoalready taken place, Price tive industry see dangers in
Waterhouse still sees plenty the current acquisitions cli-

mate, arguing that strategicalliances, sometimes only temporary measures to pur sue a specific project, car often be a better solution.

Acquisitions are in many cases costing the purchasen too much and diverting resources from research and development and capita investments, suggests M Tom Stallkamp, Chrysler, head of purchasing.

head of purchasing.
Behind Mr Stallkamp'
remarks, however, may li
other concerns, shared t
varying degrees by othe
vehicle manufacturers.

In much the same way food supermarket chain have become more powerfu than food producers, car makers are beginning t worry that the concentration of the component manufac turers into the hands of few dozen "mega-supplier - a trend which has actuall been encouraged by vehicl makers - could eventuall see carmakers being held t ous dispute. Strategic short-term alliances could a least mitigate such a proc

It has not stopped many facturers continuing the components rationalisation process. By the end of new year, Ford will have cut it direct suppliers to 5,000 globally, from 50,000 a few year ago. But for those wheremain in Ford's chain "the opportunities are limitless' according to Mr Jean Mayer purchasing director for Ford's Europe-based globall and medium-car centre. For companies supplying the current Europe-only

ne current Europe

Momotive Put

Ford puts new driver behind the Aston Martin wheel

The departure of Mr David Price after less than two years as executive chairman of luxury carmaker Aston Martin has brought the inevitable speculation that he must have fallen out with senior executives at Ford over strategy, urrites John Griffiths.

Both Mr Price, 53, and Ford in the US are adamant that this is not the case, that the parting is wholly amicable, and was prepared for well in advance. Indeed, Mr Price was expecting to be still heading up Aston Martin's presence at this month's Geneva motor show, before making his farewells and taking up consultancy work outside the motor industry in April.

His departure, in fact, arises primarily from ongoing corporate restructuring under the Ford 2000 globalisation programme. Under the changes, even the the executive chairman's role at Aston Martin will disappear as Dearborn tightens its communications lines with the unit, which reports not to Ford of Europe but directly to Detroit.

The DB7 model is now firmly established in world markets, with output running at around 700 units a year from the Bloxham Mill factory in Oxfordshire. Modest expansion is on the cards for production of the more expensive V8 and Vantage models at Newport Pagnell.

Aston Martin insiders dismiss speculation of a row. They say Mr Price, a Ford veteran of more than 30 years, knew the company's thinking about the role and prospects for the luxury sports carmaker when he took the job.

On his departure, Aston Martin will have a chief executive/ managing director. That role is being filled by Mr Bob Dover, chief sports car engineer of Jaguar Carsalso owned by Ford.

After Calvet

Mr Jacques Calvet, chairman of France's PSA Peugeot-Citroën vehicles group and one of the most flamboyant figures on the European motor industry stage for many years, reaches mandatory retirement age in the autumn. Whether he will actually go then is another question.

Who will eventually succeed the man who has also held the presidency of the European Automobile Manufacturers
Association (ACEA), and who once

described the Japanese "transplant" car factories in the UK as "an aircraft carrier off the coast of Europe", has long been a talking point of the French industry.

Until mid-1995 Mr Jean-Yves

Helmer, the young, quietly-spoken head of the cars division, had been regarded as the most likely heir-apparent. Some members of the supervisory board thought otherwise. By early last year, Mr Helmer had left for a job in government and his place in the pecking order had been taken by Mr Jean-Martin Folz, 50.

Several other potential rivals are said to be still in the frame, including Citroën's marketing chief, Mr Luc Epron. However, it is Mr Folz who is now regarded as the man almost certain to succeed.

New and updated

The Geneva motor show is one of the traditional launch pads for big new products, and this year's event is no John Griffiths. Apert from Mercedes-Benz with its new A-Class small car (pictured on Page 5). Saab and Audi have much at respective 9-5 and A6 executive models Meanwhile, Ford is demonstrating the way in which new ca fragmenting into niches - and development times for

models to fill those niches are shortening dramatically - with the unveiling of its Flesta-based coupé, the Puma (above). The Puma, designed by compute just 135 days, is designed to co

based coupe, the Puma (above).

The Puma, designed by computer in just 135 days, is designed to compete in the small coupé market pioneered by General Motors with its Opel/Vauxhall Tigra. Ford says the model is viable at a production rate of 30,000 to 40,000 units a year. It will be built only at Cologne.

Saab, in which General Motors has a 50 per cent stake and management control, will be heavily dependent on the 9-5 (below right) if it is to reverse its mounting losses. Saab sold 97,000 cars last year and, with 9-5's help, has set a vigorous

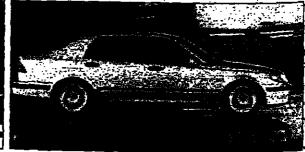
target of doubling output by the year

2000. The 9-5 is a replacement for the

model, although the latter will be phased out gradually.

Audi is replacing its current A6 model with a new version (below left) while sales are still relatively strong, reflecting a vigorous campaign by Volkswagen's up-market brand to increase European sales penetration, Initial production of 130,000 cars a year is planned.





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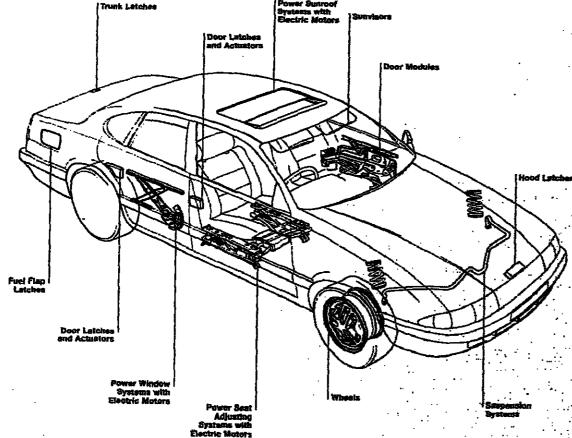
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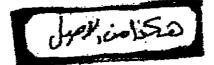
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Focus: European motor industry

Carmakers are having to fight harder for sales, with increased spending on marketing biting deep into budgets already under tight scrutiny as profits slip, or fail to materialise. Haig Simonian reports

The outlook for Europe's car market this year promises a cocktail of opposites: relatively strong with generally abysmal profitability.

Sales this year should modestly

Sales this year should exceed western Europe's 12.82m registrations in 1996. Last year's total, the ye save John G although below the peak of 13.5m in 1991, was still reasonably buoyant compared with the recent nadir of 11.26m units in 1993,

in spite of relatively robust sales. 1996 told a different tale in terms of profits. The earnings statements tricking out of Europe's leading volume carmakers are showing a sea of red ink to illustrate the difficult trading conditions of the past 12 months.

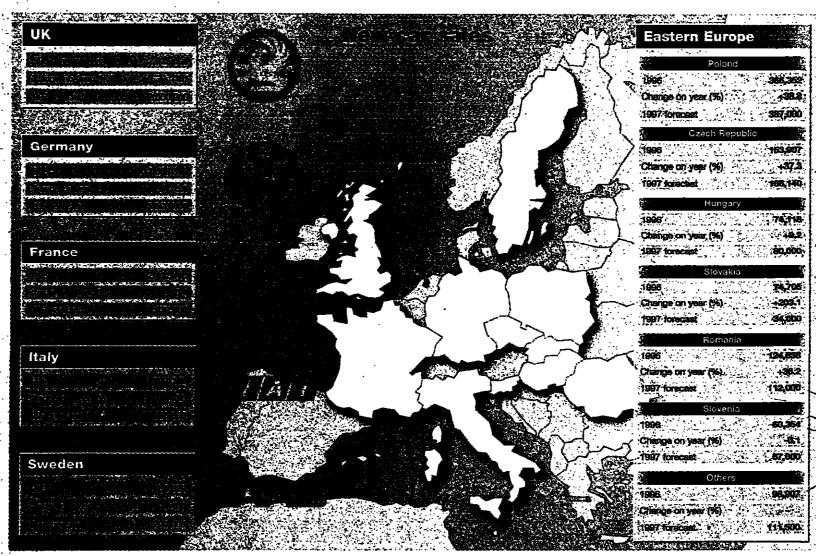
Ford led the European lossmakers, with a net figure of \$291m last year compared with a profit of \$116m the previous year. Results at Renault, which will report later this month, will probably be worse. Ms Sabine Blumel, motor industry analyst at IMI Sigeco. an investment bank in London, upped her forecast loss for 1996 to FFr1,96bn after the company last month warned would be "considerably higher than generally anticipated by the financial markets". Saab painted an almost equally lamentable picture after losing SKr1.2bn last year.

The results from BMW's Rover subsidiary will be buried in the German group's consolidated figures, making its performance harder to assess. Although BMW has indicated Rover's results should be better than the DM335m lost in 1995, the strength of sterling could still cause an upset.

Even many carmakers which remained profitable suffered lower margins. General Motors's Adam Opel subsidiary in Germany said earnings fell from DM363in to a preliminary estimate of DM250 to DM850m last year. Peugeot-Citroën, which is widely regarded as one of Europe's most efficient carmakers, is expected to announce a sharp decline in earnings when it presents its 1996 results next

About the only gainers were Europe's upmarket or specialist niche manufacturers. Porsche continued its recovery from the brink of bankruptcy, while Mercedes-Benz continued to raise its profitability on the back of a broader product range.

Among volume manufacturers, only Volkswagen will show substantially improved profits thanks to the turnaround at its Seet and Skoda subsidiaries, better earnings at the core VW brand, and a fine performance from per cent compared with 1995.



There's good news and bad

Audi. But VW's group profit margin is still paltry in comparison to its sales, and remains well below the target set by Mr Ferdinand Piech, chairman. It is the quality, rather than the vol-

ume, of demand which explains the apparent contradiction between higher sales and lower earnings.

Registrations in many markets were stronger than expected last year, with western Europe as a whole growing 6.6

But much of the upturn was stimulated by government or industry incentives. The impact of such artificial factors was most evident in France, where pricing discipline virtually collapsed after motorists became accustomed to the mix of government and industry handouts to encourage them to trade in their elderly cars for new ones.

Attempts by manufacturers to eradicate consumer expectations of instant discounts after the incentives expired

last September have achieved little. Although a number of car companies cut prices on their most popular smaller models, demand has slumped. New car sales collapsed by 33.7 per cent in January, while margins remain under extreme pressure.

The situation in France is an extreme example of the malaise which will confront carmakers in much of Europe this year as consumers demand inducements to buy new vehicles.

The only way to maintain demand will be through measures which will affect margins. The most innocuous will be to continue stressing value in new volume models. Retail prices will either have to be maintained when a model is replaced, or, if increased, justified by higher levels of equipment on the successor product.

Car companies will also have to continue raising their spending on marketing. As competition has sharpened

with more manufacturers and products in the field, car companies have had to fight harder to be heard; that means more advertising - including greater use of expensive television; more sponsorship, including greater use of sports; and more imagination in general.

While raising marketing budgets may help to sell vehicles in the short term, long-term profitability will remain under pressure because greater competition will lead to ever-shorter model cycles. Additional pressure on resources will come from the fact that carmakers will have to broaden the ranges to exploit whatever products of relatively strong demand emerge for

new niche products.

The need for product diversification and lower cycle times will, however, take its toll on earnings. Take imagebuilding convertibles. From virtual extinction, the genre has re-emerged to the extent that most manufacturers slinky two-seater or coupé. It is unclear where all the customers will come

Even in the rare case when a manufacturer discovers a new niche, the value of innovation is being eroded. Renault's new Megane Scenic - a mid-sized, multi-purpose vehicle which was justifiably voted European car of the year by leading motoring publications last year - is enjoying a sales boom.

However, the first serious competitors to the vehicle should be on the road by 1998, reducing the Mégane Scenic's monopoly to two years at best. And when the newcomers from Opel, Fiat, VW and Ford arrive, the market is likely to be saturated.

Carmakers will react by continuing to look for higher productivity in manufacturing. The scope, however, is limited by nearly a decade of taking the "fat" out of manufacturing.

Hence the industry's current focus on leaner sales and distribution. Carmakers have already started to slim down their distribution systems by rationalising storage and trying to supply vehicles to dealers more

The focus now is on dealers, with steps to streamline and upgrade networks and to encourage outlets to invest in better premises and service. While such improvements are long overdue in many cases, they are not

the sole answer to the problem. The real solution is to cut capacity. either by takeovers, mergers or factory closures. And that is precisely what manufacturers are loath to do.

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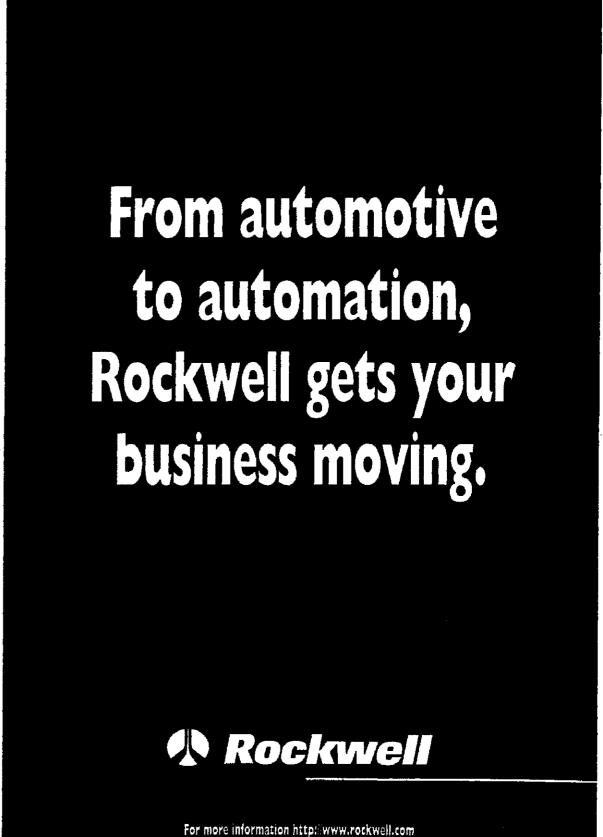
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Focus: European motor industry

Battles for survival continue

Volvo and Saab see sales dip as development costs continue to rise, reports Hugh Carnegy

SWEDEN

For Volvo and Saab. Sweden's much-cherished carmakers, the 1990s to date have been a hard struggle to survive as small players in an industry burdened with worldwide overcapacity and dominated by giant produc-ers. It is a battle that is far

The performance of the two companies in 1996 underlined the difficulties they still face. Both suffered a slight fall in vehicle sales at a time when increasing volumes is vital to securing their future. Both saw their financial performance held back by high development and marketing costs - the classic handicap of smaller producers which lack the economies of scale of the big

For Volvo, there was some itors meant the company

cheer. Although the number of vehicles sold fell from 374,600 in 1995 to 368,300 last year, earnings improved from losses in the last quarter of 1995 and the first quarter of 1996 to an operating profit of SKr925m in the fourth quarter of the year.

The full-year operating profit of SKr1.5bn was a big advance on the 1995 return of SKrlbn. But the operating margin (profits against sales) was just 1.8 per cent far short of Volvo's own target of an average margin of ? per cent over an industry

At Saab Automobile managed and half-owned by General Motors of the US since 1989 - the number of cars sold slipped from 98,700 to 98,000. But tough downward pressure on prices and a big marketing spend to bolster Saab against its competbreak-even result in 1995.

In the years since GM has been in charge - its owner partner is Investor, the main Wallenberg family investment company - Saab has made a significant profit in only one year. It has accu-mulated losses in the period of more than SKr10hn, while the two owners have been forced to stump up capital injections of SKr11.5bn. As if that were not

enough, Mr Robert Hendry, the chief executive sent in by GM from Detroit last year to make a final attempt to turn Saab around, has warned of a worse financial performance this year and another possible full-year loss in 1998. He says Saab should make acceptable profits in the year 2000...if all

goes to plan. Volvo and Saab have in common the aim to achieve critical mass by increasing their volumes and sharpening their appeal to buyers of that combination should -

loss of SKr1.2bn from a profits. But the two compa-ual, exclusive brand identity

Johansson is to take over as mium price. chief executive, is determined to remain independent following its dramatic rejection in late 1993 of a merger with Renault. of France. The group is now focused on cars and trucks. and has big financial resources following a SKr40bn sell-off of non-core assets. Volvo cars has important industrial partnerships with Mitsubishi, of Japan, in the Netherlands, and with TWR, the British sports car specialist. But it has set out

with another manufacturer. Saab, by contrast, is already part of the great GM organisation - the world's higgest carmaker. It wants to gain the maximum cost advantage out of its links with GM, which Mr Hendry says have not yet been realised after more than seven high-priced cars. Achieving years in harness. At the same time, however, Saab

to avoid a strategic merger

crashed to a full-year net finally - earn them decent has to maintain its individnies are on distinct paths to if its cars are not simply to be seen as re-badged GM Volvo, where Mr Leif vehicles not worth the pre-

So what are the survival prospects of the two Swedish companies?

Both have set ambitious targets for increasing volumes by the turn of the century, with new models aimed at the same core markets: premium car buyers in the US, UK, Germany, France, Italy and Japan. Sweden remains a big market for both Volvo and Saab, but is likely to decline in relative importance as their position is eroded at home by growing imports and outgrown in

volumes to some 500,000 cars a year, while cutting the number of "platforms" chassis makes from three to two. The idea is to spin more versions off a smaller platform base, thus increasing

four-wheel-drive versions of the 850 are being sold, as tant step in 1996 with the well as the 900 series, launch of its new mid-sized

plant jointly run with Mitsurishi. Output should rise to year launch its 9-5 sedan to 110,000 vehicles this year. The bigger, successful 850 augment its existing 900 and 9000 models. An estate series has been updated and rebadged as the S70 and V70. version of the 9-5 will follow next year as Saab aims to Volvo is also in the process increase its volumes to of bringing to market a 150,000 cars a year by the coupe and cabriolet - the year 2000. C70 - made in a joint-ven-

Volvo's biggest car, which

will in due course be phased

their plans will bear fruit. most to prove.

building its strategy. But Sasb, under its third chief executive since GM came in offshoot. Its brand focus keeps shifting, synergies with GM have been slow to come and plans for a broader

panies still looks uncertain. Both companies insist But Saab perhaps has the

model range have been



S40 sedan and V40 estate

models made at the Dutch

ture with TWR.

Salesmen are wearing some sunny smiles

The government's efforts to revitalise demand are hitting the target, says Paul Betts

ITALY

The Italian car industry has enjoyed an encouraging start other sectors of the economy low growth and pressure from the government's fiscal squeeze, car showrooms throughout the country have been buzzing with activity.

The industry, and espethe Turin-based Flat group which accounted for cars verges at times on the 44 per cent of new Italian car registrations last year, is becoming increasingly optimistic that recent govern- last big renewal came in the ment incentives to revitalise this important sector of the 1992 when 11.3m cars were economy will help boost domestic car demand by an roughly one-third of all cars additional 200,000 to 250,000 on the road in Italy. The cars this year.

In contrast with other European markets, new car start last year. But consum registrations rose in Italy by more than 4 per cent to 207,000 vehicles in January. time when sales on the European market as a whole fell ger than in the past. by 3 per cent in January twith a particularly sharp drop of 33.6 per cent in France but also a 7 per cent decline in Germany) is largely the result of both the practical and psychological impact of the new government incentives.

All the signs are that registration figures will increase even more sharply in February as January orders are converted into deliveries. Flat said its new orders had risen by as much as 35 per cent rise in Janu-

After besitating for months last year, the centreleft administration of Prime Minister Romano Prodi announced the support package just before Christmas. Similar to the incentive programmes launched in other European countries, it offers consumers discounts to encourage them to scrap cars over 10 years old and replace them with new ones. The government discounts amount to between L1.5m and L2m depending on the size of the car and come on top of any discounts granted by the manufacturer.

"We expect these measures will help return the Italian car market to the 2mcars-a-year level of the early 1990s after four years of crisis and stagnation," a Fiat and luxury car manufacturofficial said. New registrations in fact rose only of the government's proslightly last year to 1.74m cars from 1.73m the year es-Benz and BMW have before, and for Flat 1996 was another difficult year. Its far better for the govern-Italian car sales fell by 2.1 per cent and margins came under pressure from flerce competition and price wars combined with the revaluation of the lira.

already started seeing some could slump again once the movement in the market in incentives end later this December before the new incentives were introduced. In the last month of the ment may be tempted to year, registrations rose by 12 extend them.

suggested that the market was already improving slowly before the new govto the year. While most ernment incentives came into place," said Mr Gian have been struggling with Primo Quagliano, of the Bologna-based Promotor

> The incentive programme is expected to spur the recovery, especially at the lower end of the market.

Italians, whose love fo passionate, have traditionaverage every six years. The four years between 1988 and renewed - the equivalent of industry had thus expected a ers, worried about the coun try's economic health. higher taxes and less dispos-This strong performance at a able income, have tended to

In turn, this has left Italy with one of the oldest populations of cars on the road in Europe. The average age of a car driven by Italians is 14 years, compared with five years in the UK. Of the 29.7m cars currently on the road in Italy, only 25 per cent are less than five years old. About 12m cars are 10 years old or more: 1m are more than 20 years old.

The new incentives, which end in September, are thus designed to rejuvenate the country's ageing car fleet at stimulus for the economy. Fiat and other volume

are widely expected to gain most from the new measures since they are likely to interest small-car owners rather than owners of bigger, more expensive models. Soon after the incentives came into force in January, Fiat announced plans to transfer 1,000 workers from its Rivalta plant in Turin. where it assembles larger models, to its other Turin plant of Mirafiori, where smaller Pandas and Puntos are built, to boost small car output. Last month it announced it was hiring an additional 2,000 workers to meet the increased demand.

Not surprisingly, executive ers have been more critical gramme. Germany's Mercedargued it would have been ment to adopt structural measures, such as reducing the high rate of tax on motoring in Italy rather than resorting to a short-term fix, to revive demand. There are But the Italian industry also concerns that demand year. But there are already suggestions that the govern-



Actros. It's coming.



Mercedes-Benz

Focus: European motor industry

Spluttering start to the new year

have catalytic converters.

prospects for German car-

gest overseas markets.

extent, sterling.

Strong exports help overcome concerns about the domestic market, says Haig Simonian

GERMANY

THE WAY TO A VINCE

The start of 1997 has offered a mixed message for Germany's carmakers.

New registrations fell 4.2 per cent to 264,000 in January, compared with the same month last year. The faltering start contrasts with the German market's punchy 5.9 per cent rise to 3,508,000 units in 1996 on the back of big industry incentives.

Analysts have ascribed January's splutter to rising unemployment and the sluggish economy. Sales may pick up after April, when new taxes will impose penal rates of duty on older vehicles which do not

· CROSSING

Mercedes-Benz registered a 18.4 per cent surge to 90,800. All three companies, along with Porsche, predict further rises this year.

Mercedes-Benz, which chose January's Detroit Meanwhile, any concern motor show to unveil its new about disappointing domesmid-sized CLK coupe, will be tic demand has been over-shadowed by bullishness starting production of M Class sports utility vehicles about exports thanks to the at its new Alabama plant in May. The M Class, due to strong dollar and, to a lesser reach Europe early next The D-Mark's relative year, is the company's first US-built vehicle, and will weakness against both currencies has boosted export spearhead its push into the lucrative sports utility marmakers in two of their big-

BMW, which is about two years ahead of arch-rival Last year had already Mercedes-Benz in US producmarked a significant turning point in the US, with most tion, hopes rising output of manufacturers reporting its South Carolina-built Z3 their best performance since convertible will lead to a further rise in sales. Its hones peaking in the mid-1980s. Volkswagen's US sales rose will be boosted by further 23 by 22.6 per cent to 163,000 variants, including a coupé last year, BMW recorded a and a fiercely-powerful



321bhp sports special model. New models will also characterise the German market as carmakers gear up to unveil their latest wares at the bi-annual Frankfurt motor show in September. Pride of place will be shared between two vehicles: the new Mercedes-Benz A Class

- being displayed for the

Geneva show but not due in the showroom until much later - and VW's new fourthgeneration Golf.

Some analysts had expected Frankfurt would also provide the showcase for the Golf's biggest rival, the new Opel Astra. However, the signs are that the Astra will not be released until early

are this year's most important launches from both a product and a corporate point of view. The Golf is unlikely to break much technological ground; that is not on the agenda for the car replacing Europe's top-selling model

The new Golf's popularity will be one of the crucial fac-

tors in whether VW can could be built profitably. maintain its impressive growth in west European overhang of labour at its sales growth, which took its market share to 17.2 per cent last year from 16.8 per cent in 1995. All four of the group's subsidiaries including Seat in Spain, previously the weakest - are now firing on all cylinders financially and in product terms. That means 1997 should be another very strong year for VW in sales and earnings.

The A Class, by contrast, is brimming with innovations, such as highly-efficient new petrol and diesel engines. But the challenge for Mercedes-Benz will be to gain public acceptance for the vehicle without compromising the brand's prestige

Both cars also symbolise the German motor industry's attempt to meet the broader quest of producing small - and therefore relatively low-margin - vehicles in a high-cost environment.

Mercedes-Benz, which will also build the A Class in Brazil, threatened to move the project abroad unless it won concessions from workers at its Rastatt plant in southern Germany to VW, which faces a huge

vast Wolfsburg factory in the north, has worked on its manufacturing processes to guarantee the new Golf will be quicker and cheaper to build than its predecessor. The problem, however, is that as each new VW becomes more efficient to build, the company's long-term domestic labour surplus becomes more acute.

Porsche and BMW are also looking for a bumper year. Porsche's share price has surged after bullish recommendations based on strong demand for its new Boxster convertible and its evergreen 911 range. Although replace-ment of the 911 will eventually cause some disruption, analysts are confident about the group's continuing recovery, especially after its recent decision this year to sub-contract some Boxster production to Valmet, of Finland, to tackle a huge order

backlog. BMW, meanwhile, will be concentrating on the nextgeneration 3 Series, due early next year. The company is currently devoting much attention to working more closely with Rover, its

Tough prices war takes a heavy toll

Rapid pace of new model launches may ease this year, reports David Owen

FRANCE

It is safe to say that 1996 will not go down as a vintage year for the two main French carmakers. A fierce price war, particularly savage in a home market where they still account for more than 50 per cent of new car sales, helped to push Renault deep into the red and to cut first-half profits at Peug- southern Brazil. The comeot-Citroën by more than 50 pany is also in discussions oer cent

This was in spite of the fact that government purchase incentives kept domestic sales high until late in the year, pushing new car registrations for 1996 as a whole to over 2.1m - an improvement of more than 10 per cent over 1995 levels.

With that artificial stimulus now gone, sales have plummeted in a market that remains intensely competitive. In volume terms, analysts are calling for a reduction of up to 10 per cent in 1997 in the French car market, after an eye-catching present.

January decline of more than one-third. Though currency fluctuations may work more in the manufacturers' favour than in recent times. 1997 already looks like another difficult year.

The rapid pace of new m o de l launches may this

year, but both companies are nonetheless expected to make some significant product changes. At Renault, a new version

of the Safrane executive model should be launched in France in October, while the replacement of much of the group's range of utility vehicles is also planned. The extension of the cru-

cial Mégane mid-sized range. meanwhile, is set to continue this spring with the addition of a convertible. The company recently decided to lift output of its innovative Mégane Scénic monospace by more than 40 per cent. The new Espace multi-purpose "people carrier" was launched in France in November.

At Peugeot-Citroen, a replacement for the Citroën ZX is expected to start production at the company's big plant at Rennes, in north-west France, in about May. The Peugeot 306 is also scheduled for a facelift. The next critical model launch for the company, however, is generally considered to be the Peugeot 306, which is not expected until next year.

The production of both companies is still widely thought to be too heavily concentrated in France, and

both are felt to make too high a proportion of their sales in highly competitive

European markets. Renault's decision to close its Vilvoorde plant in Belgium does not help matters. Its next big advance in overseas output is not foreseen until 1999 when a \$1bn, 120,000-vehicle-a-year Megane plant is expected to come onstream at Curitiba, about the possible ment of a Mégane assembly plant in Russia. It says it is on the lookout for other small-scale projects around the world that could be developed with local partners. Peugeot-Citroën is understood to be close to announcing plans of its own for an industrial installation

On the sales front, both companies are aiming to lift the proportion of vehicles they sell outside Europe to about 25 per cent by 2000 from some 15 per cent at

ket conditions

so testing

pressure to cut costs is

ever. Mr Louis

Schweitzer,

Renault's

chairman, last

year pledged

average pro-

duction cost

per car by FFr3.000 - or

roughly 8 per

likely

remain

intense



end of 1997. Employment levels at the two companies - and the high average age of their under further scrutiny, even after Vilvoorde. Late last year, it emerged that the two companies were in talks with the government on proposals to cut jobs and reduce the average age of employees through early retirement and other measures

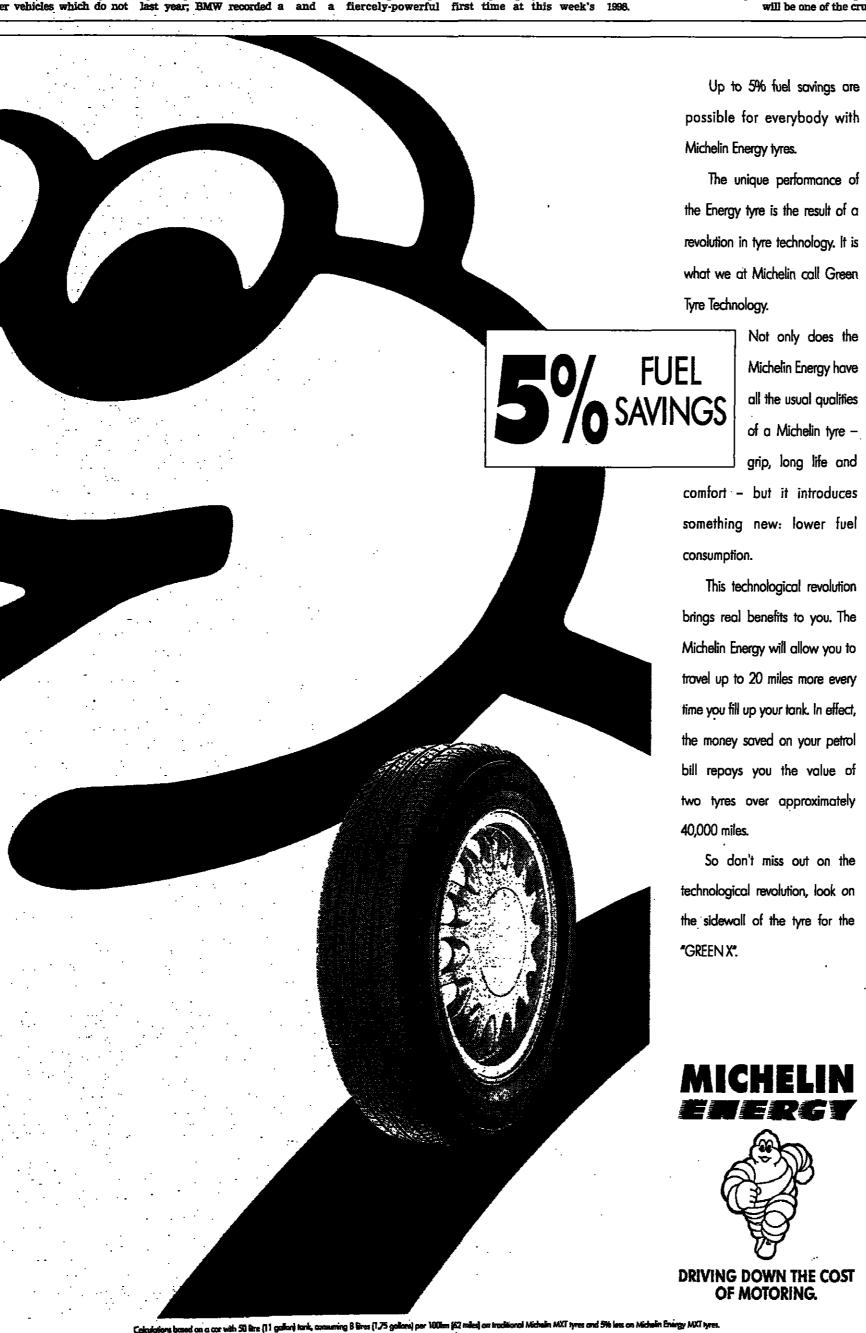
Renault said at the time that cutting both its workers' average age and its overall number of employees was necessary for the future.

This year will also probably see a change at the top of Peugeot-Citroën, with the inimitable Mr Jacques Calvet, 65, due to hand over command at the end of September. His probable successor is Mr Jean-Martin Folz, 50, who took over as director of the group's car division last April.

In the meantime, the Paris rumour-mill has been working overtime with regard to the present chairman's future plans. Perhaps the most imaginative suggestion subsequently discounted by Mr Calvet - was that he had offered to return to the world of banking as head of

Crédit Lyonnais, the trou-

bled state-owned bank.



Back on track for a bumper year

Halewood escapes the axe, but Honda's at Swindon, to the impelled to take rigorous for the successor to the cur-Rover and Land-Rover action to improve quality in rent Flesta small-car range. other car plants are heeding the warning. John Griffiths reports

The ghost of conflicts past has returned this year to awarded production of the haunt the UK motor industry. For the first time in over a decade there was talk in January of an all-out strike against one of the UK's leading carmakers, Ford, amid fears of a plant closure - the company's Escort factory on

The closure fears have since been allayed, although substantial job cuts at Halewood are on the way. The fears arose when Halewood learned that it would not build the new "world" Escort due in 1998. Employees have since been told they would be given production of "multi-activity vehicle" (MAV) version of the new Escort from the year 2000, and in the interim build the old model as a cut-price

on a single shift. Assurances have been given that Ford's Transit van plant in Southampton, also the subject of closure speculation, will build the next generation of the vehicle and that its future. too, is secure.

So, once again, the UK motor industry appears back on course and heading for production of comfortably over 1.7m cars this year, the highest since 1973 and within a few hundred thousand units of the industry's all-time record.

The underlying reason for the ghost's reappearance, however, will not go away. Europe has substantial over-capacity in carmaking. estimated by Ford of Europe chairman Mr Jac Nasser at

more than 20 per cent. Even as west Europeanbased manufacturers close down some capacity, more springs up elsewhere as other companies move in; Daewoo and Suzuki vehicles are already emerging from central and east European plants, and others undoubt-

that Halewood's productivity must improve (and some UK. government aid is expected) as part of the plant being

new MAV. Implicit in the statement is that if Halewood does not match up. Ford later really will move production elsewhere and carmaking at Halewood will be just a

The effect of the Halewood slight frisson of unease through every significant car plant in the UK.

The simple reality is that, with the exception of a few small enterprises, such as Vickers' Rolls-Royce Motor Cars, LDV vans and Leyland Trucks, there is no longer a British motor industry as such, only a foreign-owned motor industry based in Britain.

in the case of every plant, from General Motors' Astraproducing facility at Ellesmere Port, a few miles from Halewood on Merseyside. through Nissan's at Sunderplants of the Midlands, ulti-mate decision-making lies not in the UK but in the boardrooms of Detroit,

Munich and Tokyo. As global competition sharpens, whether these plants live, wither or die will depend almost entirely on The uncertainty is far

from uniquely British: the lesson has not been lost on highly-paid German employees of Rover's owner - BMW - watching what would once automatically have been German jobs drifting overseas to BMW's new and much lower-cost plant at Spartanburg, South Carolina, or Mercedes-Benz in

UK-based industry is that, with luck, the ghost may not return for quite some time to rent story of carmaking in the UK continues to be one of increasing investment,

and output forecast to con-

The consolation for the

tinue rising until, some time around the year 2000, it crosses the 2m threshold. BMW, for example, may have been dissatisfied with Rover's overall sales perfor-

some Rover operations since taking over. But Rover is benefiting from an investment programme averaging £500m a year (double the level under British Aerospace's ownership) and lasting at least to early next century, even though BMW does not expect Rover to starting

earning profits until the end

of the decade The first fruits of the investment, the CB40 "small" Land-Rover, will appear later this year. An all-new Mini - with an engine supplied from a jointventure between BMW and Chrysler in Argentina - is just one part of a renewal programme which will leave Rover with a completely new model line-up.

Despite its dissatisfaction over Halewood's performance, Ford's UK investment also is averaging £500m a year. As part of that programme, the company has made clear in the past few weeks, the Southampton plant will be re-tooled for the production of which will once again be shared with Genk in Belgium. Ford's main UK plant, at Dagenham, has just been designated the lead European site

General Motors is investing £650m in its UK

operations over the next five years, including updating Ellesmere Port to produce the next Astra range and to further expand output of the larger Vectra at its main Luton plant in Bedfordshire. This is a modest sum com-pared with the \$6.3bn being invested by GM's German Opel subsidiary over the same period. But GM is also likely to proceed with plans to add production of a small car - the Corsa, or its sucsor - at Luton. Peugeot is also considering assembly of an extra model alongside the 306 at its Ryton plant near

Much of the expansion in UK output, however, has come from the three UK transplants" of Nissan, Toyota and Honda - and there are signs that this expansionary momentum

will be sustained. Within days of Ford announcing its Halewood cut-back, Nissan went public with plans to build a third model at its Sunderland facility, alongside the medium-sized Primera and Micra "supermini". It will replace the current Almera hatch-

Nissan is poised to achieve at Sunderland. Despite the now-acknowledged flexibility of most of the UK motor industry workforce, despite its low labour costs and relatively low social overheads which have made the UK the most attractive country for inward investment in Europe, Toyota has nevertheless fired a warning shot that nothing should be taken

for granted. Mr Hiroshi Okuda, Toyota's president, in an off-thecuff meeting with reporters in Tokyo at the end of January, said that Toyota's future investment decisions in Europe would be influenced by whether a country had signed up to monetary union, with a clear inference that Toyota would rather a country be in than out.

Mr Okuda, dismayed the consequent political furore in the UK, quickly backtracked to say that EMU membership would be only one of several "basic business factors" which would

Sunderland - bringing the

create another 800 Nissan

jobs plus 2,700 in the compo-

nents industry. By the year

2000, Nissan hopes to be

building 350,000 cars a year

at Sunderland, compared

expanding capacity at its

Swindon plant from 100,000

to 150,000 by the end of next

year, two years earlier than

Toyota, Japan's biggest

carmaker, is adding a second

model, the Corolla, alongside

the Carina E at its Burnas-ton plant in Derbyshire, lift-

ing annual capacity to

200,000 units from the 117,000

If Toyota's ambitions for

the European market are to

be met, the expansion may

still have some way to go.

Toyota has set itself a target

of increasing its European

sales by 50 per cent to

600,000 by the year 2000, with

60 per cent - or more than

350,000 - produced in

Europe. It has been looking

at sites elsewhere in Europe.

but the logic of a second

round of expansion at Bur-

naston seems inescapable as

it would give Toyota the

economies of scale that rival

envisaged originally.

oduced last year.

with this year's 250,000. Honda is in the process of





Cashing in on money

Finance subsidiaries can help carmakers weather some storms, says Richard Waters

The way the US's biggest car and truck makers used, prising that the automak to make money was simple by building and selling better cars than the next com-

But in the late 1990s, it ems, there are oftenrester profits to be earned from financing the sale of vehicles than there are from building them in the first place. And in Detroit's drive to develop new international markets, those financial skills have been pushed to the forefront.

The importance of the financing business to General Motors and Ford Motor has been clear at least since the US's shallow, sion of the early 1990s. when steady profits from financial services helped make up some of the losses from the highly cyclical business of making new

-It is only more recently, though, that the time potential of these financing busi-

cial services business the company's automotive their early-1990s slamp, Ford has earned \$8.5bn in after tax profits from makhas and selling vehicles; It has also made \$7.85m of profes in the financial services business — and last year earned more in this area than from its traditional imanufacturing

Over the same period, General Motors has earned \$4.1bm from financial ser-vices, a streshle addition to the \$9bn of net income from its core operations.

These have been important sources of profit which have enabled the two to rebuild their financial the same service for 29 per strength. Now they are also playing a big part in the development of new vehicle sales in the growing mar-kets of Asia, Latin America and eastern Europe.

General Motors Acceptance Corp. (GMAC) and must of growth internation tance Corp. (GMAC) and must of growth internation Ford Motor Credit (FMC) ally, says Mr Smith at give the same reason for FMC. Both it and GMAC their new push overseas to have also set out to use promote the sale of more expertise gained in the US promote the sale of more, expertise gained in the IIS vehicles. As in the IIS, both to provide financing supcompanies help finance port for dealers who self their dealers inventories of other manufacturers vehicles and provide leases vehicles internationally for ultimate buyers.

fional operations, says; recently become estab-Our role is to help dealers lished.

Sell vehicles faster, and to . As a result, the two compreserve the existing cus panies predict that both tomer base."

services such a profitable future

ers are trying to repeat

The relationship in new markets is a symbiotic one says Mr Greg Smith, exe tive vice president of FMC's international business. 'In by jump-starting our finan-cing business."

Both GMAC and TMC point to added attractions in operating outside the

gins are higher. The les vehicle finance busin many countries makes it more profitable than the mature US market, says Mr Clout. GMAC's international operations accoun for \$15.50n of its ass around 14 per cent of the total, but contribute one

fifth of the profits, he says. FMC, meanwhile, gener cent of its earnings over includes consumer finance seas, roughly in line with as well as vehicle finance its share of assets from seas, roughly in line with ing in the four years since those countries, reflecting higher operating margins operations climbed out of but also higher investment spending, says Mr Smith. Another attraction is the better credit quality of

of room for growth away from home. Both compa-nies already-finance virtually all of their dealers inventory outside their home markets. But GMAC says if helps finance only one-fifth of GM's vehicle sales to end-boyers outside the US, compared to

-around one-thro at home. FMC financed the purcent of Ford vehicles in the US last year, but provided cent of sales in the relatively developed western less elsewhere. The chance of financing a

higher share of new vehicle sales is one of three ave-... Also, says Mr Smith, there Mr Richard Clout, executist the prospect of rapiditive vice president in growth in countries where charge of GMAC's international field (and Ford) have only

assets and earnings will That, though, is only part grow faster abroad than in of the story. With financial, the US for the foreseeable



In the face of daunting Ford is investing \$25m at its Swansea components plant in Wales to expand production of wheels and hubs (above) for Escort-sized losses being made by Ford in vehicles. The components will be exported to both Europe and North America. The expansion comes in the immediate aftermath of

Fresh markets are opening up

Carmakers from around the world are joining an investment boom, writes Haig Simonian

EAST EUROPE

Ask a German policeman to find your stolen car, and the chances are he will tell you Prague rather than closer to home. But the soaring trade in stolen vehicles after the be giving way to more legitimate commerce as greater affluence in central and eastern Europe creates a growing market for new cars.

New car registrations in Poland, the biggest and most populous state in the region. surged by 39 per cent to nearly 370,000 units last year, making the country Europe's eighth biggest car market. Sales are expected to reach an annual level of 400,000 units by 2000, accord-

Registrations in neighbouring economies have also been rising, although growth has sometimes hiccuped because of deflationary policies to curb spiralling infla-

Sales in the Czech Repub-lic - the region's second big-153,000 units in 1996, 7.9 per cent up on the previous year. Although registrations in Hungary last year failed to reach their 1994 peak of 90,000 units, sales recovered from the low point of 68,800 in 1995 after the government's austerity programme

and should reach 80,000

units this year. Buoyant demand has sparked an investment boom, with German carmakers leading the way. Volkswagen, which has bought 70 per cent stake of Skoda in the Czech Republic - the biggest vehicles group in the region - has invested further to provide new assembly and paint facilities. It is also producing new and revised models, which should help to raise output to about 400,000 units a year

by the end of the decade. VW has also invested in production in Slovakia.

making gearboxes. Mean- carmaker. while, VW's upmarket Audi subsidiary has invested about DM1bn to build their cheque books. Suzuki, engines at Györ in Hungary. The plant will, from later this year, also start assembling Audi's new line of cou-

pés and convertibles. Opel, the German subsidlary of General Motors, has Poland, also invested heavily in Hunand engines, as well as making engine components, at a DM700m plant at Szeugotthard. In Poland, where Opel started assembling cars in 1994. the company is building a DM500m plant to make

70,000 cars a year. For the moment however, the Polish market is domi-nated by Fiat, of Italy, and Daewoo, of South Korea. The former spent \$1bn to take control of FSM, one of the country's biggest vehicles groups, and is now spending \$800m to equip the company to build the new A178 world car and a successor to the Cinquecento minicar.

Daewoo, meanwhile, plans to spend about \$1.34m to develop its activities in Poland by 2002. Last year, it where it assembles Golf bought FS Lublin, a commer-

been more cautious with of Japan, has spent more than Y20bn on a Hungarian joint-venture to assemble vehicles; Ford has invested \$54m on a car and van assembly plant at Plonsk in Most manufacturers see

their new new capacity as a bridgehead into local markets, as well as into the much bigger - but still untested - waters of the former Soviet Union to the east. A few have already taken their tentative first steps. Late last year, production of Chevrolet Blazer sports utility vehicles started at a joint-venture between GM and Elaz, a company in group taking a 25 per cent

"The investment climate in Russia is improving, But we have to be a bit surer about the safety of our investment before putting in significant spending," says Mr Louis Hughes, head of international operations.

Last month, GM went furhatchbacks. The Bratislava cial vehicle maker now ther after confirming it was

all the group's four-wheel- cars, and took control of Russian carmaker behind Lada-OMC, the dealer group drive operations, as well as FSO, once Poland's biggest the Lada brand, on a possible joint-venture. In the first Other carmakers have instance, the two are disnew plant at Vyborg in Karelia, north-western Russia, to build 50,000 cars a year.

The area lies conveniently adjacent to Finland, the home of Valmet, the engineering group which is negotiating alongside GM on the project. At a later stage, GM might work together with Avtovaz on building cars at its Togliattigrad facility.

GM is also talking to the Ukrainian authorities about a possible joint-venture with Autozaz, the country's leading carmaker. Here it is in competition with Daewoo the former partner and now rival with which it crossed swords in the battle to gain control of Poland's FSO. Daewoo has gained consid-

erable experience in former Communist markets: in 1994 it spent \$156m to buy 51 per cent of the former Oltcit factory in Romania. The company, renamed Rodae, has gone through a testing period, with output last year well below expectations. It now claims to be performing

Ford, meanwhile, has reached agreement with the plant is now responsible for assembling South Korean in talks with Avtovaz, the government of Belarus and future.

which sells Ford products in the country, to set up a joint venture car and van assemcussing the creation of a bly operation near Minsk. The facility, which is a smaller version of Ford's kit assembly plant in Poland, should start producing vehicles by September. The company plans to build 6.000 vehicles in its first full year, with output concentrating

on Escort cars and Transit

Belarus is not virgin territory: Skoda has started inbling cars there with a local partner. The company has a similar project with another local partner at Smolensk in western Russia. Meanwhile Kia, another South Korean manufacturer is pressing ahead with its project to assemble vehicles at a former shippard in the Russian enclave of Kaliningrad together with three

So far, all the alliances in the former Soviet Union are at either the planning stage or just starting production. In spite of the difficulties of doing business locally and the western groups' reluctance to commit much cash, they probably represent the seed corn for growth in vehicle production in the

quietly and cleverly removing obstacles

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and the second second



FT AUTO

Technology

'Intelligent' systems provide

gent" highway.

Fortunately for industry,

there is other in-vehicle

technology of the telematics

era which need not wait on

government. Collectively.

according to a range of

industry forecasts, it should

see the electronic content of

vehicles rising to around 20

per cent of a vehicle's total

value - almost double the

In broad terms this in-ve-

hicle technology embraces:

navigation and route guidance; driver information.

such as traffic and travel

news; CD-Rom, fax and

Internet-based amenities

such as hotel, restaurant and

parking listings and reserva-

tion capabilities; and safety

lane-keeping, driver alert-

current level - by 2005.

cars and commercial

Roads in many parts of the world are becoming hopelessly traffic-choked. But much work is being carried out to ease the situation, says John Griffiths

\$15bn bag of opportunities

Dr. Nick Evans is calmly emphatic about his view of the future: "We have to face the fact that the days of carefree motoring are now

He has a particular interest in the subject, as director the global Intelligent Transport Systems programme at SRI International, still best-known under its old title of the Stanford Research Institute.

SRI currently is working on a four-phase research project into telematics, the collection of technologies embracing electronics, computing and communications which collectively will play the key enabling role for the 'intelligent" transport infrastructure and "intelligent" cars which should be a fact of life early next century.

Bubsici Alles Can

weather some

Richard Wa

"Intelligent" infrastructure will comprise highways equipped with a variety of sensors and communications equipment which will, among other things, change traffic light sequences to improve traffic flow, charge tolls automatically, and relay routeing guidance to "intelligent" cars. Such cars will be able to navigate via satellite systems and automatically maintain a safe distance from other vehicles.

The SRI work is being undertaken on behalf of 30 or so public institutions and industry groups worldwide, all well aware of the increasingly dramatic impact that intelligent transport systems (ITS) will have on everyone's

SRI is not alone. In Brussels, Washington, Detroit and Tokyo, cross-industry. groups, transport and environment quangos and government departments are variously and collectively groping their way towards a many already available, are commonality of standards is to be achieved; how the undoubtedly daunting costs of implementation are to be

Whole industries, from automotive to electronics. are seeking to establish the commercial prospects of a new era for cars, vans and trucks in which there will almost certainly be much new added-value in terms of

in-vehicle equipment. A great deal of the responsibility for ITS creation will lie outside of the immediate ambit of the motor industry. It requires primarily a commitment from government to direct and fund the creation of the infrastructure on which "intelligent" cars and commercial vehicles should be able to travel much more efficiently within the next

The incentive for governments to drive down the



enough: according to OECD estimates, road traffic congestion in the European Union alone costs more than Ecu100bn a year - 2 per cent of EU gross domestic product - in wasted manhours, fuel costs and other

One answer could be to build yet more roads at costs now averaging around \$600,000 per lane/kilometre. Dr Evans points out. Environmental protesters apart, that is a prospect from which transport departments round the world, almost all strapped for cash, are recoiling. In theory, they should thus jump at the chance of using telematics to create advanced traffic management and controls systems on existing highways, at a cost of only

The US department of transport estimates that converting a highway to become "intelligent" would increase its carrying capacity by up to one-third. Transport experts in Brussels largely

around \$30,000 per lane/km.

The problem is, most trafanother US transport department estimate...that by the year 2005 all forms of road congestion will have doubled represent mitigation of the toring beacons which are an similar institutions point billions of pounds.

their solution. Wrestling with this unpal-

atable fact, and the consequent reluctance to commit public funding, is the principal factor behind the relatively slow growth of an intelligent highway structure globally to date. It is thus inevitable that the situation is frustrating for electronics, communications and automotive industries anxious to capitalise on all telematic technologies' capabili-

Here is one illustration.

The first in-car satellite navigation systems are now appearing in western car markets (there are already Im users in Japan). As of this year they are being offered as original equipment options on BMWs, Audis and the Ford Mondeo and are capable, using CD-Rom maps and satellite position, of taking a driver unerringly to within 15 yards of any keyed-in destination. What they cannot yet do, however, is adjust and control systems, such as that route to escape congestion caused by accidents, beavy traffic flows or other sen route. To do so requires the availability of transmitted data on real-time traffic systems. conditions collected from

According to market Only when this infrastructure is widely available can the fully-integrated route guidance system, which would transform the efficiency of billions of individual road journeys, become a

It has analysed the means, values and attitudes of some 2,000 individual drivers of vehicles from pick-up trucks to luxury cars in arriving at its forecasts of the likely take-up of some, at least, of the forthcoming in-car tech-

these technologies are set out in the accompanying chart, and indicate cumula tive sales of nearly 43m units by the year 2011.

automatic collision avoidance, "intelligent" cruise control, automatic motorway ness monitoring and night complete IDIS (in-vehicle enhancement driver information system). As the UK's Transport though not yet stated, is so that telematics still only computer-controlled moni- Research Laboratory and forecast to run into many

out, the market penetration of such technology initially will be very much dependent on consumer acceptance, although safety-related improvements frequently - as with seat belts - later ecome the subject of legislation. Some of the first of this new generation of in-car sive, typically around £2,000 for a satellite guidance sys-tem, although this will fall quite quickly as economies of scale are achieved.

Most of the other technologies are still in their final development stages and will reach the market within the next decade.

nologies.

technology becoming available is undoubtedly expen-

potential estimates arrived at by SRI in its research programme, even without a fully-developed intelligent highway structure the markets created will have been worth the R&D effort.

Its projected unit sales for World Wide Web on which manufacturers have lavished so much time and effort to create picture and video-festooned sites. In value terms, this repre For ordinary potential car

sents \$4.6bn in collision warning systems, \$2bn in other hazard warning technology, and \$8.4bn for in-car navigation systems. As the next decade draws to a close. however, it predicts that growth of highway telematics will lead to the longawaited integration of navigation, "live" traffic information and other driver inforsystems into a The value of these systems.

> Ford used "virtual reality" technology to launch its Galaxy multi-purpose vehicle (MPV). Potential buyers could sit in a pod – several were made for touring large exhibitions - resembling the Galaxy's interior. They could look out on a "virtual road" and, just like an aircraft sim-

bought and sold.

buyers there are still plenty

of frustrating problems in

using the Net and the Web.

In the absence of high-speed

ISDN lines in every PC

user's home - providing ade-

quate phone line capacity

and faster downloading -

users have likened accessing

sites for pictures and video

But when all the snags are

ing and the UK-based Motor

Industry Research Group,

there is no reason why "vir-

tual dealerships" should not

dealer's site but in the living

to watching paint dry.

showroom may soon be a thing of the past, says John Griffiths

Multimedia technology is the touch of a few keys the poised to transform the way interior decor could be in which cars are viewed, changed to reflect the catalogue options available. It embraces many forms, To date it has remained an expensive tool of modest use-

Buying from the

comfort of home

Time wasted spent waiting in a

among them "virtual reality" test drives, as ploneered fulness, with cost one big by Ford, auctions by satelfactor in it being not yet lite, and the launch of interavailable in every dealership. But manufacturing active used car buying and selling via TV teletext. costs are expected to fall as Most significantly, it more carmakers show interincludes the Internet and est, and their spread through showrooms is regarded as

Multimedia

almost inevitable. The impact of other media technology is more immedi-Car Shop, pioneered by the

UK Camden Motor Group's executive director, Mr John Bacon, is continuing to develop. Launched in March last year, it is to be found both on Sky Television's version of teletext and on the Internet. Viewers can buy and sell cars using their telephone keypad and remote Tel and AutoVantage relay control, as well as garner potential buyers' ideal car much of the information requests to nearby dealers and even book a test drive ers from Andersen Consultwithout ever having to enter a showroom.

A potential buyer can search subscribing dealers' emerge, located not at a inventories for a car by price, model and specification and ask for suitable models to be shown in the order of nearest first. The system also provides pricing. insurance, car hire, finance,

and warranty services. Because, in using the system, buyers are setting out their raw preferences and interests and the evolution

of their choices can be

If a customer goes to a local book store to buy a

use to both motor trade

technology for the launch of

magazine on cars, we don't know which magazine he bought; we don't know which section of the magazine he's currently reading we don't know whether the car in the magazine meets precisely his expectations because we don't know what his expectations are either,' interactive technology, however, "the information being gained is of such value that it will shape both the production and inventory strategies (of the motor trade and industry) of the future.

Car Shop is currently a text-only operation, but next year it is scheduled to take a big forward step as part of a digital TV package jointly involving the UK's BBC, ITV and Sky networks. It will then be able to show pictures of individual cars photographed by digital camera. North America has loose

narallels with Car Shop. Companies such as Auto-Bywith financial and insurances service providers ican International on hand for completed deals.

Even if there are currently lots of snags to the Internet, there is a general expectation in the motor trade and industry that it will permeate deeply into their activi-

Ford Motor has zeroed in on the Internet to set up its own "Intranet" for internal communications, allowing the instantaneous dissemina tion and exchange of inforulator, "drive" along it. At tracked, much information mation and data globally.

'Clean' trials are ready to go ahead

vision

Bosen Motors, the Californian company founded by the chairman of: Compaq Computer and his

technology-pioneering brother to develop " environmentally clean" vehicles, is to test a luxury sports car later this year. It will use the Rosens' turbine-flywheel technology, writes John Griffiths.

The decision to embark on the trials follows the successful testing of a converted General Motors Saturn. saloon, fitted with the first prototype of the technology.

The E-class Mercedes to be used in

the animmn trials will be fitted with the next generation of the technology, which combines a small gas turbine

engine with an energy-storing

efficiency measures are

spreading all along the sup-

ply chain as cost-cutting

pressures mount. Signifi-

cantly, there is a move in

the industry to tackle the

issue collaboratively. The US

Automotive Industries

Action Group, set up to

embrace a broad swathe of

smaller and medium-sized

suppliers, is working on two

costs by improving inter-sup-

increasing system compati-

provide high performance - 0 to 60mph in around six seconds – with negligible exhaust emissions.

If tests go well, the company hopes to produce for sale a batch of about 1,000 converted luxury cars, possibly from next year. The successful test has come as a

relief to Mr Ben Rosen, chairman of both Compaq and Rosen Motors, and his brother Harold, the munication technology pioneer

generally recognised as the "father" of the geostationary communications satellite.

Last autumn, Rosen Motors twice . invited the media to watch the Saturn saloon go through its paces, only to have a fuel pump fail on one occasion

"Basically", said Mr Ben Rosen, "we tried to run it prematurely." Rosen Motors, founded nearly four years ago, employs 60 people. It is complemented by Capstone Turbine Corporation, of which the Rosens are also founders and which

The project is already costing Compaq's chairman nearly \$30m from his own pocket. Mr Rosen says he refuses to tap state and federal development aid funds, which would almost certainly be available, because it is an imappropriate use of taxpayers' funds to provide corporate welfare for companies which have billions and should be able to fund

manufactures gas-turbines.

programmes on their own".

Components in the global market

Continued from Page 2

Escort model, this has presented the opportunity to become truly global suppliers as a result of the next Escort, due in 1998, being a "world" car to be built in

The FT report's authors suggest that a profile of the 21st century mega-supplier is emerging, and that by definition it wil have global reach, deep research and development capability and a likely "critical mass" of \$3bn-plus annual turnover.

No less importantly, this revenue will be earned by clearly targetting core areas of activity - such as braking systems in the case of the Bosch/AlliedSignal acquisition - and not through diversification. Non-core businesses must continue to be shed, they suggest.

Just how far the leading suppliers can go in terms of supplying whole systems to manufacturers is illustrated in Chrysler's venture to build its Dodge Dakota pick-up in Brazil, starting Nearly one in four of the next year. The entire rolling chassis, with brakes and other operating systems already fitted, is to be supplied by Dana, the US auto-

*The Deal Survey: Price Finance, Cormoell Court, 19 Cornwell St. Birmingham B3 2DT, UK** The Automotive

Supply Chain: New Strategies for a New World Order: £375; FT Management Reports, Maple House, 149 Tottenham Court Road, London W1P 9LL, UK; Tel: +(44)

Downward drive on pay levels

\$5,000 employees at ITT Automotive, the US multinational's motor even a major developed components business, will be earning less than \$10 an hour (at present-day rates) Rationalisation and other by the end of the decade,

according to estimates by In 1990, only 10 per cent of Amsterdam listing

ITT's automotive employees were earning less than \$10 an hour. The figure has grown because ITT has had to cut its prices to suppliers by 3 to 4 per cent a year, requiring an increased sourcing from countries with low labour cost. Leading suppliers in the

projects to take \$2.5bn out of US - such as Delphi, the plier communications and General Motors' motor components arm which is by far the world's largest single components group Waterhouse Corporate currently have combined wage and benefits costs of \$40 an hour or more. At the other end of the scale, employees in some developing countries earn less than \$2 an hour.

IIT sources from one month for assembling wire harnesses. Overall, its worldwide wagecosts are currently around \$14 an hour. The it that

no longer enough to be competitive within region such as North America, analysts say. The competitiveness has to be Pirelli to give up

Pirelli, the Italian tyres and cables group, is poised to end the Amsterdam stock exchange listing of Pirelli Tyre Holding, the Dutch holding company it created in the early 1990s to own and manage its global tyres business. An offer by the Italian parent, Pirelli SpA, to buy back the 6.4 per cent of

shares and 3.3 per cent of warrants in PTH it does not already own should be completed during the spring. PTH will remain a sub-holding company still managing the overall tyres business. The move comes as Pirelli moves closer to finalising a deal with Chinese government officials in Jilin prov-

Vietnamese operation where ince to create a joint venture workers are paid \$64 a to operate a tyre plant built at Chang Chun with Pirelli's technical aid four years ago. average Pirelli hopes to complete the deal before the end of the year. It would also lead to a figures emphasise the fact doubling of the plant's capacity to 1.5m tyres a year.

> Goodyear's horizons

Mr Samir "Sam" Gibara has wasted no time in shaking group's Japanese subsidiary.

up operations at Goodyean Tyre and Rubber, the world's third biggest tyremaker, since replacing Mr Stanley Gault as chairman at the start of last year.

Egyptian-born Mr Gibara is determined to create a more internationalist outlook at the Ohio-based group and increase the share of Goodyear's tyre earnings which come from outside the Tyre industry insiders are

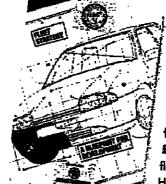
thus watching with fascination what next steps might be involved after the surprise announcement of a production-sharing agreement with Sumitomo Rubber Industries of Japan. In the late 1980s, when it had debts of more than \$2bn after fighting off corporate raider Sir James Goldsmith, Goodyear could only watch helplessly as Japanese rivals led by Bridgestone demoted the US company from the world number one spot it had come to view almost as its right.

Under the recently-signed production-sharing deal, Goodyear will produce Dunlop-branded tyres for Sumitomo affiliates Dunlop and OHTSU in the US, and Sumitomo and its OHTSU subsidiary will produce tyres for Nippon Goodyear, the US

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National had more fleet funding solutions

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Opel/Vauxhall scored first again in '96. For the fifth year in a row.

History, we're happy to note, repeats itself. Opel, with Vauxhall in the UK, was again Number One in Western Europe in 1996. And for the fifth straight year.

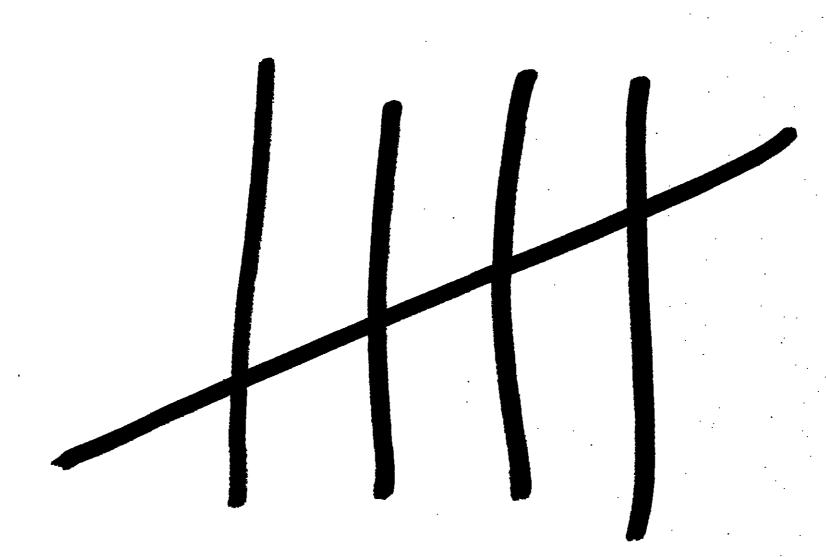
An excellent occasion, therefore, to extend our sincere thanks to the many thousands of car buyers, all across the Continent, who choose Opel/Vauxhall over the dozens of other dynamic brands. Year after year.

In 1996, Opel/Vauxhail sales were up in 12 European countries, with an 88 percent

gain in Central and Eastern Europe. Our brand won best-ever market shares in France, Italy, Poland, the Czech and Slovak Republics and Turkey; scored first in Ireland and Finland and extended its long-run leadership in the Netherlands (28 years) and Switzerland (15 years). The sporty Corsa and new Vectra were top sellers in their categories.

All in all, an excellent year, with a promising outlook ahead. But we're not taking this or any other year for granted. Not with all those other brands eager to even the score.





WXHAU Yeltsin acts to reassert authority

By John Thomhill

President Boris Yeltsin will today reaffirm his commitwhen he makes a longaddress to parliament.

Anatoly Chubais, his chief of staff, as first deputy prime minister with a brief to streamline the state apparatus and tackle mounting

Observers said the controversial appointment would signal Mr Yeltsin's determination to carry through Russia's painful reform drive, stalled by his prolonged illness. In his speech, Mr Yeltsin is expected to focus on the need to stamp out corruption and crime.

As mastermind of the manager of Mr Yeltsin's reelection campaign, Mr Chubais is seen by international financial institutions as Russia's most effective administrator. He is reviled by the Communists as a cold- ing Mr Yeltsin's absence, is

hearted capitalist ideologue. Mr Yeltsin's speech is Kremlin source suggested it regarded as a critical test of would be stripped of the his ability to govern the political control functions it country after long absence from the Kremlin.

too ill to make the speech, of the US White House.

and any further frailty would be exploited by his

If Mr Chubais is to be first deputy prime minister, ment to further economic observers expect the two reform and attempt to reas other ministers currently sert his political authority holding this rank to be demoted. Mr Victor Cherno awaited state of the nation myrdin, who commands respect across the political Russian media said Mr spectrum, is expected to Yeltsin had appointed Mr remain as prime minister, although his powers may be reduced.

Mr Yeltsin appears to have drawn back from replacing Mr Chernomyrdin with Mr Chubais for fear of antagonising parliament, which has to approve the appointment of a prime minister.

. Mr Vladimir Potanin, the young banker who is one of two first deputy prime ministers in charge of the economy, forecast there would also be "serious changes" to the government structure.

Local news agencies mass privatisation drive and _reported that Russia's 60 ministries, commissions and state committees would be

cut by 15 per cent.

The presidential adminis tration, which has effectively run the country duralso to be restructured. One acquired under Mr Chubais and would evolve into a A Russian radio station, purely administrative appathis week claimed he was ratus modelled on the staff

New EU | Spanish extend rules on refugees job talks proposed deadline

By Emma Tucker in Brussels

People fleeing en masse from the world's trouble spots can expect to receive the same treatment in all 15 EU memdrawn up by the European Commission become law.

The proposals aim to establish EU-wide minimum standards in such areas as housing and employment rights for "displaced persons". They will be presented to the Council of Min-

isters in May. But the plans contain no measures for sharing the financial burden of hosting people seeking temporary

They were drawn up in response to the massive exodus of people that resulted from the Yugoslavia conflicts. According to Brussels, some 2m people fled Bosnia, no fewer than 800,000 of them asking for protection within the EU.

Many member states were affected and most applied some form of temporary protection to help the victims, but in the absence of any EU agreement each country developed its own system some much more generous than others.

"People were treated in very different ways," said Mrs Anita Gradin, commissioner for home and justice affairs. "Next time we are faced with such a situation we have to make sure that a fair and dignified reception can be offered in all member

The initiative, which must be agreed unanimously by the member states, comes too late for refugees of the Bosnia crisis and probably too late for any exodus from Albania.

However, Mrs Gradin said yesterday: "We do not know when or where large numbers of people will again be driven from their homes and country, but I am sure it will happen. And we have to be

The proposals sim to establish minimum rights on access to the labour market, education, social welfare, housing and conditions for family reunification. In such countries as Aus-

tria, Denmark, Germany. Greece and the Netherlands this would entail changes to the current laws on employment. In these countries access to the labour market is limited, if allowed at all.

The initiative, meant to complement the 1951 Geneva Convention on the Status of tefugees, will come into play only when the number if asylum-seekers is so great hat individual case by case

By David White in Madrid Spanish unions and

employers yesterday agreed their negotiations on reform revived government hope would save it from enforc ing changes through legislation and risking an open clash with unions

Employers' leaders were understood to have put forward new proposals. The talks, launched in earnest in January with the two main labour organisations, the General Workers' Union (UGT) and Workers' Commissions, had appeared comed to failure.

They are aimed at introducing more flexibility into the labour market to encourage job creation, especially for young Spantards, and to remove obstacles to investment. This is against the background of almost 22 per cent - and more than 41 per cent in the 16-to-24 age bracket.

Rigid labour laws have led to the increasing use by companies of temporary work contracts. According to a recent government study, only 4 per cent of new contracts signed last year were for an indefinite period.

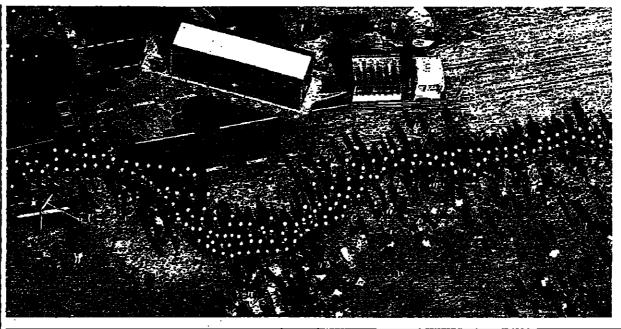
The centre-right governnent, concerned that uncer tainty about future labour rules is holding up invest ment decisions, has been anxious to avoid further delay and has threatened to impose · Gutiérrez, Workers' Commissions eader, warned this week that such a move would proroke a general strike.

Many employers worry that a compromise will still not bring Spain's redundancy costs into line with Enropean competitors. But the government is expected to back any agreement that changes the status quo.

Talks yesterday focused on proposals for clearer contractual conditions over grounds for redundancy. This would enable companies to pay the standard basic compensation rate, which now exists more in theory than in practice. Unions said the CEOE

employers' federation had backed away from a proposal under which companies could apply a special rate for redundancies made on "objective" grounds, even though they failed to justify them in the courts. The two sides also moved closer on new forms of conat tackling tract aimed

NEWS: EUROPE



Nuclear convoy beats protests

Noisy, obstructive and violent protests failed yesterday to prevent a convoy carrying nuclear waste through Germany from finally reaching a special storage station in Gorlebeu, Lower Saxony, after the country's biggest post-war police operation, writes Ralph Atkins in Bonn.

Mr Manfred Kanther, federal internal affairs minister, blamed "anarchists" for inflaming the dispute which began last week and yesterday saw police using water cannon. But the affair has highlighted Germany's heavy reliance on nuclear power - and the activism of its opponents. Mr Gerhard Schröder, Social Democrat premier of Lower Saxony, called for a revised energy policy that ensured unnecessary transports do not have to be repeated".

More than 30,000 police were required to ensure waste from two power stations in south Germany and a French reprocessing plant reached Gorleben. Yesterday's journey as only 20km but the six trucks - one of which is pictured left protected by police - took more than three hours.

Chirac criticised over legal appointments

France's top magistrates body has accused President Jacones Chirac of breaking with past executive practice by overruling their advice in the appointment of a large number of judicial prosecu-

The allegation, leaked yesterday to the Libération newspaper, comes in the annual report by the Higher

It prompted a furious reaction from Mr Jacques Toubon, the justice minister. who protested at "the political exploitation" of the

The CSM has complained that its recommendations against certain appointments were ignored in 46 per cent of cases last year. Such widespread flouting of its Magistrates Council (CSM) advice "marks a break with

executive, it said, and "feeds suspicions about the independence of magistrates". The power to nominate

prosecutors lies with the executive, which does not have to follow the advice of the CSM. Under the constitution. Mr Chirac also presides over the CSM, which has Mr Toubon as its vice president. The justice minister yes-

terday dismissed the affair as "a storm in a teacup" and

due to be presented to Mr previous practice" by the rejected the council's allegation. He said that, since 1995, the CSM's advice had been ignored in only seven of 500 appointments, or 1.5 per cent

> Mr Chirac moved in January to appoint a high-level commission, headed by the head of France's supreme court, to look into indicial independence. This has partly drawn the sting of criticism that the Gaullist president and government

have interfered with prosecutorial appointments, against a background of a series of continuing judicial investigations into the Gaullist party funding at the national level and in Paris.

Paris from 1978 to 1995, when he became president. In creating the commission, Mr Chirac said he wanted it to examine the feasibility and desirability of making France's judiciary

Mr Chirac was mayor of

totally independent of the protection of the individual rights of defendants.

The commission is due to report its findings this sum-

The CSM recommends in its report that it should have a veto power on appointments of prosecutors, and should in future refrain from steering individual prosecu-

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The EasyScroll mouse from KYE is seen with Plustek's PageReader, another Gold Award Winner with one of the smallest footprints in desk scanners.

may use mines as jails

By Roger Matthews in Johannesburg

Crime in South Africa has reached such a serious pitch that government officials are investigating the possibility of incarcerating the worst offenders in disused mine

Mr Khulekani Sitole. commissioner for correctional services, said the mine shafts could be used for "people like murderers, rapists and armed robbers who repeatedly transgress. They are animals, and must never see davlight again."

His proposal was attacked as "barbaric" by human rights campaigners, while a mining engineer described it

Mr Sitole said his proposal was also a reaction to the high level of prison escapes and serious problems of overcrowding. Escapes, he said, would be more difficult from deep underground.

The ministry of correctional services is to set up a committee to investigate the mine option, which would also involve conversion of surface buildings, but Mr Sitole said he was expecting a strong reaction from human rights organisations.

come. Mr Golden Miles Budhu, president of the prisoners' organisation for human rights, said he was angry and disturbed. "Mr Sitole's comments are just unbelievable. I am gasping for air." he said.

"This is a barbaric proposal from a commissioner who is supposed to be a progressive, broad-minded person. To insist that people are locked away, never to see the sun again, goes back to medieval times, and is based on ignorance. Mr Sitole must | do." He said the policy was be off his head," said Mr

Mr Sitole said while human rights would be considered, it was necessary to protect the public and separate hardened criminals from petty offenders.

S Africa | Microchip inaction makes a date with disaster

The millennium bomb could affect almost every electronic device. Alan Cane assesses the scale of the problem

ago, few people understood that the so-called "millennium bomb" affects not only old computer systems but also the

Now embedded processors have become a focus of concern as computer specialists become aware that these relatively simple silicon chips can also suffer the millennium malaise. Built into electronic machinery used to control anything from supertankers to passenger cars and domestic videorecorders, the consequences of their failure could be serious.

The millennium bomb is a result of the cost of computer memory in earlier years. In 1994, 16m bytes of memory cost \$484; today, the same amount costs \$80.

As a consequence, programmers took short cuts wherever possible to save memory. Years were stored as two digits rather than four, the computer system

the 20th rather than any other century. After midnight on December 31, 1999, however, com-

puters won't know in which

century they are operating.

Mr Gary Easterbrook, operations director of Millennium (UK), a company established solely to tackle this issue gives an example of the ensuing problems. Medical infusion machinery responsible for delivering finids to patients by dripfeed has to be calibrated regularly. Such machines are fitted with embedded processors which calculate elapsed time since the last calibration. As a fail-safe, they turn off any infusion pump which

say, six months. An infuser suffering from the millennium problem would assume, after Decemmachine had not been calibrated for 100 years and turn

has not been calibrated for,

Of course, Mr Easterbrook points out, it is simple - but hugely expensive - to bring in a technician to fix the machine. Until, that is, the scale of the problem is considered. Five infusers per ward, say, with 20 wards per manufacture and they are hospital and 10,000 hospitals rarely programmable. in the UK alone. "There are probably not enough technicians in the UK to fix the problem quickly," he says.

The millennium problem is international in scale but it is attracting most attention in the US and the UK. In mainland Europe, where advanced information technology systems are as preva-lent, only a handful of companies are taking the threat seriously. The European Commission is refusing to mount an awareness campaign, apparently because it perceives the dangers as exaggerated. However, developing countries with little in the way of advanced information systems should, in

three kinds. There are standalone devices used to control conveyor belts, numps, turbines and the like. Their mode of operation is set on

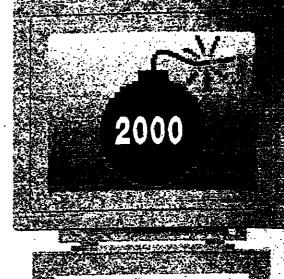
hen there are standalone devices which can be programmed electrically. These include devices controlling military radar, satellite systems and encryption devices for sending secure communications. The problem could be particularly acute in the latest flyby-wire aircraft, where control of the aeroplane is almost entirely managed by embedded processors. Last, there are systems

where sensing devices are connected to a computer system set to analyse the data they provide. This could include water or gas meter-

Embedded processors are Taskforce 2000, set up by the ubiquitous and essentially of UK government to tackle the problem, said yesterday: "Most current computing systems and huge numbers of microprocessor chips are unable to cope with the transition from 1999 to 2000. If this is not fixed in time, the developed world will suffer economic and social difficul-

ties - probably severe." Computer specialists have little experience of solving such a widespread problem. Mr Easterbrook says companies have to assess the likely impact of the problem and devise a timetable to replace or reprogramme the blighted

But most engineers are learning by trial and error. The processors have to be located, inspected for millennium compliance and physically replaced if necessary. Each chip costs only a fev dollars but, multiplied by the millions of processors embedded in systems, the



Waiting for the bang: computers' inability to cope with the year 2000 has been largely ignored outside the US and UK

ently to be borne by end-us- said yesterday. "I don't think"

ers. Yet manufacturers are anybody has yet got their still shipping processors that mind around the embedded. cannot cope. As Mr Guernier processor question."

Palestinians reassess Israeli peace pledges

By Judy Demosey Mark Huband in Cairo

The Palestinian leadership will tomorrow reassess Israel's commitment to the decision by Mr Benjamin Netanyahu, the Israeli prime minister, to build a Jewish settlement at Har Homa in east Jerusalem.

Speaking after talks yesterday in Cairo with Mr Hosni Mubarak, the Egyptian president, Mr Netanyahu said: "The construction [of Har Homa] is the most natural thing we can intended to provide resito both Arabs and Jews.

deats of Jerusalem with adequate housing and applied But Mr Mubarak was unambiguous in portraying

the Israeli action as a dan-

ger to the peace process.

convinced," he said. "This drawals from the rural problem could lead to com- areas of the West Bank. plications in the future when [Israel and the Palestinians] start discussions on the final status of Jerusaiem." Those negotiations are

due to start this month. The completion of the new settlement will give Israelis an unbroken series of settlements in eastern Jerusalem, detaching areas of the city Palestinians consider their capital from the areas under Palestinian control. The existence of the settlements will complicate Palestinian claims to east Jerusalem, which Mr Netanyahu says will not become the capital of a Palestinian state.

Mr Netanyahu, who has brushed aside growing international criticism over Har Homa, is to convene a cabinet meeting today to decide the extent of the first of the However, Israel said the

Palestinian Authority must first close four of its offices in east Jerusalem before the redeployment takes place. Israel claims the offices contravene the 1995 Oslo peace accords. "It is impossible for the peace process to continue, for the redeployment and other obligations which Israel has, to continue, without the closing of these offices." said Mr David Bar-Illan, media adviser to Mr Netanyahu.

Senior Palestinian officials said the Har Homa housing project, the dispute over the status of the four offices and Israel's unwillinguess to implement at least 33 outstanding articles of the 1995 Oslo peace accord were jeopardising the

Kazakhstan sets up 'one-stop shop' for foreign investors

By Charles Clover in Almaty

Sweeping decrees signed this week by the president of Kazakhstan may send half of the country's bureaucrats looking for new work, while foreign investors scurry to find a new name in their Who's Who: Akhmetzhan Yasimov.

On Saturday, President Nursultan Nazarbayev signed a new law on foreign investment. On Tuesday, he issued a decree eliminating a third of Kazakhstan's ministries and government agen-

Combined, these reforms should streamline the Kazakh bureaucracy and crethe government, which may represent a fatal blow to the influence of the prime minister, Mr Akirzhan Kazhegeldin, who was out of the country at the time

Many observers see the

formerly little known first vice premier, Mr Akhmetzhan Yasimov, as the eventual prime minister of Kazakhstan Mr Yasimov heads the

State Committee on Investments which, according to Saturday's decree, became the "sole government body with the right to carry out government policies to sup-port direct investment". Mr Nazarbayev put it more colloquially, in English, calling it on Monday a "one-stop shop" for foreign investors, meaning that the committee would be the only entity foreign investors must deal with to invest in Kazakh-

Tuesday's decree, mean-while, strengthened Mr Yasimov's position still further. Among the ministries and agencies dissolved was the

State Property Committee, which formerly controlled all state-owned shares of Kazakh enterprises. Most of these shares are to be transferred to Mr Yasimov's committee.

Tuesday's decisions also created a more independent oil industry. Mr Yasimov's committee did not get stateowned oil and gas industry shares from the State Property Committee. These were transferred to a new national oil company called Kazakh Oil, to be created out of the former oil and gas ministry and headed by Mr Nurian Balginbayev, a former oil minister

By eliminating the oil and gas ministry's official status, the industry is no longer subordinate to the prime minister, and by taking over state ownership of oil and gas enterprises the new company also avoids the influ-

ence of any separate shareholder, such as the former State Property Committee. The prime minister and Mr Sarybai Kalmurzayev, 🚅

State Property Committee chairman, have been the main architects of Kazakh stan's privatisation policy over the past few years, but both have come under fire recently for selling enterprises too quickly and too cheaply. Neither could be reached for comment on the

Despite the change in faces, though, western investors with experience in Kazakhstan do not see a wholesale ideological shift taking

"I don't think thisrepresents a change in their overall privatisation straiegy," said one western of man. "I think it might only. change what gets priva-

NEWS: WORLD TRADE

Chrysler struggles to crack Japanese car market while US consumers snap up Japan's models

Neon offer highlights **US** troubles

By Michiyo Nakamoto and Jonathan Annells in Tokyo

A year and a half after a treaty on trade in cars and car parts was supposed to ers handling its cars. improve the chances of American carmakers in that our efforts to sell Neon Japan. US carmakers still in Japan have been a chalface formidable obstacles. But on the other side of the Pacific, Japanese carmakers are enjoying a boom. In a move that highlights

the problems of US car- is designed simply to build makers in Japan, Chrysler awareness for Neon, and yesterday unveiled a sales make campaign aimed at lifting said. sluggish sales of its Neon Chrysler will offer 500

Neon cars to Japanese consumers to use for one year at the nominal price of Y14,200 (\$117) a month for the cheaper model. Users who are not satisfied can return the car after a year at no additional cost.

move is an attempt by Chrysler to boost the Neon's the nine months since its launch last May. The poor performance comes in spite of a highly competitive price tag in comparison with Japahas priced the two-litre Neon at between Y1.49m and Y1.8m (\$12.200 and \$14.700)

Chrysler suffers from a combination of low awareness among Japanese consumers and a small number of deal-

"It's no secret to anyone lenge," said a Chrysler representative. "Part of that challenge is that a lot of Japanese consumers don't know Neon. This programme make people take notice," he

Chrysler increased sales in Japan last year from about 15,000 to 16,170 but largely on stronger sales of the Jeep. a popular model which is also sold for the US company by Honda. Jeep sales have been helped by a strong shift toward recreational vehicles in Japan.

The Neon, however, com-The unusual marketing petes directly with some of the largest selling cars made by Japanese companies such sales in Japan - only 1,100 in as Toyota's Corolla, its most popular model, which sells between 10,000 and 20,000 units a month. Although all three US car-

makers increased their sales nese cars in the US. Chrysler in Japan on average last year - and although Chrys-ler's sales rose strongly on the back of Jeep sales compared with about Y1.8m sales in the first two months revenues. of this year have been slug-

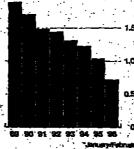


Chrysler's Jeep is climbing new sales peaks in Japan but the Neon (below) has flopped despite a competitive price

Japanese car companies in the US

gish for both Ford and GM. Meanwhile, sales of Japanese vehicles in the US soared in February, with to 23 per cent, up from 20.7 many models setting records for the month as a result of relaunches. Manufacturers most impressive aggregate also took advantage of the dollar's strength to offer cash incentives while maintaining the level of their yen

Japanese vehicles



including those assembled locally by US subsidiaries increased their market share per cent a year earlier. cent rise in sales. The company attributed this to the 40 tor. Honda's 9 per cent overper cent year-on-year growth all sales increase was helped in sales of the locally pro- by the sale of 3,000 CR-Vs in



strong demand for the Montero sports utility vehicle. Other manufacturers saw strong demand for restyled models such as Honda's Mitsubishi registered the Civic four-door and Toyota's Camry. But the huge popuimprovement, with a 41 per larity of sports utility vehicles was a common fac-

of Nissan's remodelled Pathfinder surged 143 per cent to 6,289 compared with February 1996.

Analysts say the Japanese manufacturers are reaping the combined benefits of "liot models" often for niche markets, with the pricing advantages afforded by the yen's depreciation. Survey: PT Auto, Separate

which Mr Weintraub sees as natural are viewed with alarm by many in Congress. Mr Charles McMillion, an economist who works closely with anti-Nafta groups, talks about the pact's huge impact on the motor vehicle and electronic sector and says was up and industrial speci- that Mexico now exports

Rifkind puts stress on role of investment By Roula Khalaf stability is through democratic institutions, with gov-

Mr Malcolm Rifkind, the UK foreign secretary, yesterday described as "very worrying" the fact that the Middle Bast and North Africa received only 4 per cent of global private capital flows compared with Asia's 60 per cent share and Latin America's 20 per cent.

"It is a disturbingly small percentage," he said in an interview with the Financial Times, "especially given the region's geographical prox-

Mr Rifkind today will open a two-day conference in London on the region's investment opportunities, intended as Britain's contribution to the partnership with countries on the southern and eastern rim of the Mediterranean, which the EU launched at Barcelona in

Europe, Mr Rifkind said, had an essential role to play yet". in boosting investment in the region by improving access to the EU market for regional products, especially agricultural ones. But the countries of the region themselves also had much to do. "No one is obliged to invest in these countries," he said. "They have to create the conditions to attract invest-

There are at present many economic barriers to invest- Christian Democratic leadnent in the region, such as stifling bureaucracy and inadequate justice systems. But Mr Rifkind also emphasised the importance of political stability. Europe, he added, has "a strong dose of self-interest" in stability in the Middle East and North Africa, "because they are our neighbours".

The region is perhaps the area in the world where least progress has been made in building democratic institutions since the end of the cold war - a fact which deters investors by raising the political risk

The only way you can get

ernments responsible to the electorate," Mr Rifkind said. "We are not happy with any government that rejects the genuine democratic choice of the electorate," he added, in response to a suggestion that Europe had held back from pushing democracy in the region for fear of seeing Islamist governments take power.

He admitted, however, that "there is a great international debate on what is the best way to deal with fundamentalist and other pressures"; he pointed out that in Turkey the Islamists had been brought "into the system" (being allowed to form a government coalition), whereas in Algeria. where an Islamist election victory in 1991 was cancelled by the army, they had not-Algeria, he added, had huge problems which it

hasn't begun to overcome Legislative elections on June 5, from which the Islamist party which won the first ballot in 1991 is excluded, would have to be judged not only on "whether they are totally democratic" but also on whether they were "a step in the right direction".

Mr Rifkind distanced himself from this week's state ments by west European ers, who suggested Turkey was not European because if did not share the EU's "Christian values". The European Commission, he pointed out, had only ruled that Turkey's EU membership application was "premature"; and it might well do the same for some central or east European countries

later this year. The Barcelona processi covering 12 emerging markets in the Mediterranean, is aimed at promoting political. cultural and economic dialogue and creating a free

Anti-Nafta forces in US Congress take aim improvements in the US

By Nancy Dunne in Washington

Republican and Democratic congressmen yesterday fired uation of the North Ameri-(Nafta) being conducted by the administration.

President Bill Clinton to

trade balance. They are also secking tougher environmental standards and a curb on the flow of illegal drugs

"For the majority of can Free Trade Agreement Americans, Nafta is just one giant broken promise," said Congresswoman Marcy Rap-"Nafta's boosters promised

700,000 of our citizens have it - sold Nafta to Congress. been thrown out of work. In lions of citizens has worsened.

A report released yesterrenegotiate or withdraw hundreds of thousands of administration - and the Nafta - that 20,000 jobs are alisation which improves the more cars to the US than the from Nafta unless there are new jobs. Instead, more than Bush administration before gained for each \$10n of competitiveness of compa- US does to the world.

Mexico, the plight of mil- tions, export expansion was equated with job creation," he said. No relationship the significance of Nafta was exists between "increased that it established a legal day by Mr Sidney Wein- export value and job cre- and institutional framework traub, of the Washington- ation, and certainly not between the US and Mexico. based Centre for Strategic between increased imports Studies, said that much of and job losses," the report Nafta was "performing as Nafta's unpopularity was argues. The figure used by expected." Bilateral trade tur, an Ohio Democrat. Nafta's unpopularity was argues. The figure used by due to the way the Clinton both administrations to sell

exports - "comes from prim- nies was taking place. During both administra- itive arithmetic and is wrong," it contends. Many economists believe

Mr Weintraub said that

The shifts in employment